

# WIRRAL COUNCIL

## FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

4 JUNE 2008

### REPORT OF THE DIRECTOR OF FINANCE

#### PROJECTED BUDGETS 2009-2011

#### 1. EXECUTIVE SUMMARY

- 1.1. This report presents the projected budgets for 2009-2011 to coincide with the period of the Comprehensive Spending Review 2007 (CSR).

#### 2. BUDGET 2008-09

- 2.1. The summary budget for 2008-09 as agreed by the Council on 3 March 2008 is as follows:

	£m
Base Budget	302.6
Resources	
Formula Grant	147.4
Area Based Grant	28.4
Council Tax	123.2
Collection Fund	- 0.5
Use of Balances	<u>4.1</u>
	302.6

#### 3. COMPREHENSIVE SPENDING REVIEW

- 3.1. The Comprehensive Spending Review (CSR) 2007, was announced on 9 October 2007. An initial report on the Pre Budget Statement by the Chancellor of the Exchequer including the CSR was presented to the Cabinet on 1 November 2007. The Department for Communities and Local Government (DCLG) announced the three year provisional Local Government Finance settlement on 6 December 2007 and the final settlement on 24 January 2008.

#### 4. **VARIATIONS IDENTIFIED FOR 2009-2011**

- 4.1. **Inflation** –Provision is included for pay and prices at 2% and for income at 3% for 2009-2011.
- 4.2. **Capital Financing** – Cabinet on 12 December 2007 agreed the capital programme for 2008-2011 at an additional financing cost of £3.1m for each year.
- 4.3. **Highways Maintenance** – provision is included for the transfer of highways expenditure of £3.7m to the revenue budget from the capital budget.
- 4.4. **Waste Disposal** – The waste disposal levy is projected to increase by 15.4% per annum.
- 4.5. **Pension Fund** - The Pension Fund has been actuarially revalued as at 31 March 2007. The phased implementation of the revised contribution rates over three years was agreed by the Cabinet on 12 December 2007.
- 4.6. **Merseytravel** – The Merseytravel levy is projected to increase by 4% per annum.
- 4.7. **Invest to Save Schemes** – The Cabinet has agreed a number of invest to save schemes which will reduce expenditure by £0.7m in 2009-10 and by a further £0.4m in 2010-11.
- 4.8. **Private Finance Initiative** – Increase in PFI payments of £0.4m in 2009-10 and a further £1m in 2010-11 as the PFI reserve reduces.
- 4.9. **Benefits Subsidy** – The Department for Work and Pensions has announced that benefits subsidy will be reduced by 3% per annum in real terms, 5% per annum in cash for certain elements of the subsidy, a reduction of £0.7m per annum.
- 4.10. **Local Area Agreement** – The revenue element of the Reward Grant receivable has been recalculated at £3m split over two years.
- 4.11. **Other Unavoidable Growth** – A number of relatively minor items of unavoidable growth of less than £0.2m will arise. These should total less than £1m.

## 5. OTHER DEVELOPMENTS

5.1. There are a number of other developments which are likely to impact on the financial position of the Authority over the period 2009 to 2011. The impact of these issues will be reported to the Cabinet as and when they are resolved. Some of the potentially most important issues are:-

- (a) Implementation of Local Housing Allowance which was reported to Cabinet on 12 December 2007.
- (b) Revised Local Government Pension Scheme introduced from 1 April 2008.
- (c) Review of the calculation of the Minimum Revenue Provision which was reported to Cabinet on 16 April 2008.
- (d) Review of the Local Authority Business Growth Incentive Scheme. A consultation paper on a revised scheme to commence in 2009 was reported to the Cabinet on 29 November 2007
- (e) Review of Planning Delivery Grant which is likely to be retitled Housing and Planning Delivery Grant.
- (f) Review of Supporting People Grant to be undertaken in 2009 with the grant to be absorbed into the Area Based Grant from 2009-10.
- (g) A White Paper on the possible introduction of supplementary business rates which was reported to Cabinet on 29 November 2007.
- (h) Review of the Area Cost Adjustment to be implemented in 2009-10.
- (i) Review of the population statistics to include the effects of recent migration, which was reported to the Cabinet on 16 April 2008.
- (j) Review of the funding of social care.

5.2. Many of these developments could impact on the grants receivable for 2009-2011. The grants announced by the DCLG as part of the three year financial settlement are only indicative.

## 6. BALANCES

6.1. The balances for 2008-09 have been set at £5m but the Audit Commission has restated its view that balances should be a minimum of 2% of the net revenue budget which for Wirral would be £6m.

## 7. EFFICIENCY REQUIREMENTS

- 7.1. The gap between projected expenditure and anticipated resources will need to be bridged by a combination of savings and/or increased Council Tax.
- 7.2. In agreeing the budget for 2008-09 the Cabinet agreed to efficiencies totalling £16.1m. These efficiencies were agreed throughout 2007-08 as part of the efficiency plan.
- 7.3. Cabinet on 13 March 2008 agreed the following efficiency targets for 2009-11 but reserved the right to vary these targets during the year.

<b>Department</b>	<b>Target 2009-10</b>	<b>Target 2010-11</b>
	<b>£000</b>	<b>£000</b>
Adult Social Services	4,620	3,780
Children and Young People	2,350	1,920
Corporate Services	710	580
Finance	740	600
Regeneration	3,060	2,500
Technical Services	1,620	1,320
	13,100	10,700

- 7.4. The efficiencies agreed in preparing the budget for 2008-09 included £0.9m in Adult Social Services which will become effective from 2009-10.
- 7.5. I am assuming an annual Council Tax increase of 4%.
- 7.6. The CSR states that the Council Tax capping limit will remain at 5%.

## 8. FINANCIAL IMPLICATIONS

- 8.1. The indicative budgets for 2009 to 2011 are compiled from the base budget for 2008-09 approved by Council on 3 March 2008, the Medium Term Financial Strategy 2008-2011 agreed by the Cabinet on 6 September 2007, and updated for the issues outlined in this report. The indicative budgets are shown in the Appendix.

## 9. STAFFING IMPLICATIONS

- 9.1. There are none arising from this report.

## 10. EQUAL OPPORTUNITIES IMPLICATIONS

- 10.1. There are none arising from this report.

## 11. HUMAN RIGHTS IMPLICATIONS

- 11.1. There are none arising from this report.

**12. LOCAL AGENDA 21 IMPLICATIONS**

12.1. There are none arising from this report.

**13. COMMUNITY SAFETY IMPLICATIONS**

13.1. There are none arising from this report.

**14. PLANNING IMPLICATIONS**

14.1. There are none arising from this report.

**15. LOCAL MEMBER SUPPORT IMPLICATIONS**

15.1. There are none arising from this report.

**16. BACKGROUND PAPERS**

16.1. Comprehensive Spending Review – Treasury – October 2007  
Medium Term Financial Strategy – 2008-2011 – September 2007  
Formula Grant Settlement 2008-09 –DCLG – January 2008  
Estimates 2008-09 – March 2008

**17. RECOMMENDATION**

17.1. That the projected budgets continue to be reported to the Cabinet and the Finance and Best Value Overview and Scrutiny Committee in line with the agreed financial and performance management timetable.

IAN COLEMAN  
DIRECTOR OF FINANCE

**WIRRAL COUNCIL**  
**PROJECTED BUDGETS 2009-2011**

	2009-2010	2010-2011
	£m	£m
Base Budget	299.6	322.0
Pay Inflation	3.4	3.4
Price Inflation	3.6	3.6
Income Inflation	- 1.0	- 1.0
Capital Financing	3.1	3.1
Highways	3.7	-
Waste Disposal	2.2	2.5
Pension Fund Revaluation	0.5	0.5
Merseytravel	1.0	1.0
Private Finance Initiative	0.4	1.0
Benefits Subsidy	0.7	0.7
Area Based Grant	2.5	- 0.4
Local Area Agreement	- 1.5	-
Supporting People	10.3	-
Unavoidable Growth	1.0	1.0
Invest To Save	- 0.7	- 0.4
Efficiencies	- 0.9	-
Efficiency Investment Fund	5.3	5.3
Balances	1.0	-
Forecast Expenditure	<u>334.2</u>	<u>342.3</u>
Resources		
Formula Grant	152.7	157.9
Area Based Grant	41.2	40.7
Council Tax	123.2	128.1
Forecast Resources	<u>317.1</u>	<u>326.7</u>
Shortfall	17.1	15.6
Council Tax Increase	4.9	5.1
Efficiency Plan	12.2	10.5