

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

19 NOVEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

PROJECTED BUDGET 2010-2011

1. EXECUTIVE SUMMARY

- 1.1. This report presents the projected budget for 2010-2011 which will be the final year of the Comprehensive Spending Review 2007 (CSR).

2. BUDGET 2009-10

- 2.1. The summary budget for 2009-10 as agreed by the Council on 2 March 2009 is as follows:

	£m
Base Budget	316.9
Resources	
Formula Grant	152.8
Area Based Grant	31.0
Council Tax	129.0
Collection Fund	-0.7
Use of Balances	<u>4.8</u>
	316.9

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.
- 3.2. The provisional Local Government Finance Settlement for 2009-10 was issued by the DCLG on 26 November 2008. The provisional settlement restated the indicative figures included in the settlement issued on 24 January 2008 and was reported to Cabinet on 10 December 2008.
- 3.3. The final settlement was issued on 21 January 2009 which again confirmed the indicative figures for 2010-11.

3.4. In his budget speech on 22 April 2009 the Chancellor of the Exchequer stated that the main grant for 2010-11 would not be reduced but there will be reductions from 2011-12.

4. **VARIATIONS IDENTIFIED FOR 2010-2011**

4.1. **Inflation** – Provision is included for pay and prices at 2% and for income at 3%.

4.2. **Capital Financing** – Cabinet on 10 December 2008 agreed the capital programme for 2009-2012 at an additional financing cost totalling £2.9m for 2010-11. The capital programme will be reviewed in December 2009 including a review of Capital Financing requirements and incorporating revised capital accounting rules.

4.3. **Waste Disposal** – The waste disposal levy is projected to increase by 15.7%, £2.6m.

4.4. **Pension Fund** - The Pension Fund was 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.

4.5. **Merseytravel** – The Merseytravel levy is projected to increase by 4% in 2010-11, £1.0m.

4.6. **Invest to Save Schemes** – The Cabinet has agreed a number of invest to save schemes which will reduce expenditure by £0.4m in 2010-11.

4.7. **Private Finance Initiative** – Increase in PFI payments of £1.0m in 2010-11 as the PFI reserve reduces.

4.8. **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 £0.3m per annum.

4.9. **Technical Services** – the Director reported a number of budget variations to Cabinet on 23 July 2009 the net effect being an increased requirement of £0.1m for 2010-11.

4.10. **Libraries** – Cabinet on 1 October 2009 deleted the proposal to create Neighbourhood Centres which will cost an additional £1.2m in 2010-11 for libraries and £0.3m for Pennant House repairs.

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 during 2010-11. 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) Global recession. This is likely to impact on the budget in many ways and will be kept under continuous review.
- (b) 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. Following further revisions there should be a grant of £0.2m in 2009-10 and in 2010-11.
- (c) Review of Supporting People Grant to be undertaken in 2009 with the grant to be absorbed into the Area Based Grant from 2010-11.
- (d) Implementation of the Business Rate Supplements Act 2009 which was reported to Cabinet on 29 November 2007.
- (e) Review of the population statistics to include the effects of recent migration, which was reported to the Cabinet on 16 April 2008.
- (f) A Green Paper Shaping the Future of Care Together was released on 14 July 2009 with consultation closing on 13 November 2009.
- (g) Transfer of the responsibilities of the Learning and Skills Council to Local Authorities from 2010-11.
- (h) Introduction of the Community Infrastructure Levy in April 2010.
- (i) Implementation of International Financial Reporting Standards from 2010 which was reported to the Cabinet on 9 April 2009.
- (j) Carbon Reduction Commitment to be introduced from April 2011 which was reported to the Cabinet on 19 March 2009. Details were announced on 7 October 2009.

6. BALANCES

6.1. Council agreed the budget for 2009-10 with projected balances of £6m.

6.2. The out-turn for 2008-09 was reported to Cabinet on 25 June 2009 showing net overspending of £2.3m.

6.3. Cabinet on 25 June 2009 agreed to transfer £2.1m from the Insurance Fund to the General Fund.

6.4. Council on 12 October 2009 agreed to fund a projected overspend of £0.8m on libraries from balances during 2009-10.

6.5. Summary

	£m
Projected Balance	6.0
Overspending 2008-09	- 2.3
Insurance Fund	2.1
Agreed Overspending 2009-10	<u>- 0.8</u>
	5.0

6.6. The above summary assumes that all projected overspendings in 2009-10 other than in Cultural Services will be contained by Directors.

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. The efficiencies agreed in preparing the budget for 2009-10 included £0.5m which will become effective from 2010-11.

7.3. Apportionment of the efficiency requirement for 2010-11 in line with the agreed three year efficiency plan would produce the following targets which were reported to the Cabinet on 19 March 2009.

	£000
Adult Social Services	2,070
Children & Young People	1,200
Corporate Services	70
Finance	530
Law/HR/Asset Management	190
Regeneration	920
Technical Services	<u>620</u>
	5,600

7.4. Part of the Efficiency Investment Budget for 2010-11 is again being used to fund the following teams which are working on the delivery of the corporate change programme:-

	£m
Procurement and Creditors Change	1.3
Customer Services Development	0.7
Adult Social Services Reform	0.2
	<u>0.5</u>
	2.7

7.5. I am assuming an annual Council Tax increase of 4%.

7.6. The Minister for Local Government has stated that the Council Tax capping limit is likely to remain at 5%.

8. FINANCIAL IMPLICATIONS

8.1. The projected budgets for 2010-11 is compiled from the base budget for 2009-10 approved by Council on 2 March 2009, the Medium Term Financial Strategy 2010-2013 agreed by the Cabinet on 24 September 2009, and updated for the issues outlined in this report. The projected budget is 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 – HM Treasury – October 2007
Medium Term Financial Strategy – 2010-2013 – September 2009
Formula Grant Settlement 2009-10 – DCLG – January 2009.
Estimates 2009-10 – March 2009
Budget – HM Treasury – April 2009.

17. RECOMMENDATION

- 17.1. That the projected budget for 2010-11 be updated and reported regularly to the Cabinet and to this Committee.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/289/09

**WIRRAL COUNCIL
PROJECTED BUDGET 2010-11**

	£m
Base Budget	314.2
Increased Requirements	
Pay Inflation	3.3
Price Inflation	3.6
Capital Financing	2.9
Waste Disposal	2.6
Pension Fund Revaluation	0.5
Merseytravel	1.0
Private Finance Initiative	1.0
Benefits Subsidy	0.3
Technical Services	0.1
Libraries	1.5
Supporting People	10.3
Unavoidable Growth	1.0
Efficiency Investment Fund	<u>2.6</u>
	344.9
Reduced Requirements	
Income Inflation	-1.0
Invest To Save	-0.4
Area Based Grant	-0.4
Agreed Efficiencies	<u>-0.5</u>
Forecast Expenditure	342.6
Balances	<u>1.0</u>
	343.6
Resources	
Formula Grant	157.9
Area Based Grant	41.0
Council Tax	129.0
LAA Reward Grant	1.4
LABGI	0.2
Reserves	<u>0.5</u>
Forecast Resources	330.0
Shortfall	13.6
Council Tax Increase	5.2
Efficiencies required	8.4