

## **WIRRAL COUNCIL**

### **COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE**

**1 FEBRUARY 2010**

#### **REPORT OF THE DIRECTOR OF FINANCE**

#### **BUDGET PROJECTIONS 2011-2014**

##### **1. EXECUTIVE SUMMARY**

1.1. With the release of the Chancellor of the Exchequer's Pre-Budget Report on 9 December 2009 it is now possible to revise the estimate of the projected budgets for the years from 2011 to 2014.

##### **2. ASSUMPTIONS UNDERPINNING THE PROJECTIONS**

2.1. Inflation – HM Treasury is assuming a return to a long term inflation rate of 2%. Therefore prices are assumed to increase by 2% per annum with income to continue to increase by 3% per annum. Pay awards will be limited to 1% per annum for 2011-13.

2.2. Capital Financing – HM Treasury is assuming that the level of capital investment will reduce by 50% between 2009-10 and 2013-14. The annual increase in capital financing charges has therefore been reduced to £2.0m.

2.3. Pension Fund – the Department for Communities and Local Government (DCLG) has yet to finalise the basis on which the 2010 pension fund revaluation will be undertaken and also the proposed cost sharing arrangements. In advance of this information the increase is projected at 1.5% or £2m per annum. In addition the outsourcing of the highways and engineering services contract is likely to increase the contributions by £0.2m per annum.

2.4. Waste Disposal – the increase in the levy will be dependent on delivery of the waste disposal strategy. The Landfill Tax will increase by £8 per ton per annum, an increase of 50% between 2010-11 and 2013-14. The levy is assumed to increase by 8% per annum.

2.5. Merseytravel – the levy is assumed to continue to increase by 3% per annum.

2.6. Private Finance Initiative – the latest projections are included.

2.7. Benefits – the Department for Work and Pensions is estimating an annual increase of 1.7%.

2.8. Schools – it is assumed that the Schools Budget will vary in line with the Dedicated Schools Grant.

- 2.9. Adult Social Services Reform – the Reform Grant of £1.9m will cease in 2011-12 with the assumed implementation of the personalisation agenda, from which the Department of Health is assuming efficiencies of upto 7%. I have only assumed that the removal of the Reform Grant will not impact on the net budget.
- 2.10. National Care Service – the proposed introduction from October 2010 is estimated to cost £1.9m in 2011-12 net of grant receivable.
- 2.11 Learning and Skills Council – it is assumed that the transfer of responsibilities to the Authority will be on a full cost basis.
- 2.12. Carbon Reduction Commitment – payment of £1.0m commencing in 2011-12. It is assumed that the Authority will reduce the carbon footprint sufficiently to recover these payments.
- 2.13. National Insurance – increase by 1% from April 2011 costing £1.2m .
- 2.14. Learning Disability – it is assumed that the transfer of responsibility from the PCT to the Authority from 2011-12 will be on a full cost basis.
- 2.15. Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.16. Efficiency Investment – in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore I have assumed a budget of £2m per annum.
- 2.17. Government Grants – the target for overall growth in public expenditure has been reduced from 1.8% in the Budget 2008 to 1.2% in the Pre-Budget Report to 0.7% in the Budget 2009. After allowing for debt repayments, an increase in welfare benefits of 1.7%, and no reduction in the NHS budget, the rest of the public sector will face an annual reduction of 2.9%.
- 2.18 Council Tax – Council Tax increases are likely to be limited to no more than 3%.

### **3. GRANT NEGOTIATIONS**

- 3.1. The Government has agreed to the following elements of the Local Government Finance Settlement being reviewed as part of the 2011 settlement:-
- a. Area Cost Adjustment
  - b. Highways Maintenance
  - c. Day Visitors
  - d. Income Support/Tax Credits
  - e. Students
  - f. Concessionary Fares

- g. Coast Protection/Flood Defence
- h. Capital Financing
- i. Dedicated Schools Grant
- j. Housing Benefit
- k. Local Government Pension Scheme

3.2. There is a possibility that the Local Government Finance Settlement to be announced in December 2010 will only cover 2011-12 as it may not be possible to conclude a Comprehensive Spending Review in 2010.

#### **4. FINANCIAL IMPLICATIONS**

4.1. The assumptions outlined above are reflected in the budget projections in the Appendix.

#### **5. STAFFING IMPLICATIONS**

5.1. There are none arising directly from this report.

#### **6. EQUAL OPPORTUNITY IMPLICATIONS**

6.1. There are none arising directly from this report.

#### **7. COMMUNITY SAFETY IMPLICATIONS**

7.1. There are none arising directly from this report.

#### **8. HUMAN RIGHTS IMPLICATIONS**

8.1. There are none arising directly from this report.

#### **9. LOCAL AGENDA 21 IMPLICATIONS**

9.1. There are none arising directly from this report.

#### **10. PLANNING IMPLICATIONS**

10.1. There are none arising directly from this report.

#### **11. MEMBER SUPPORT IMPLICATIONS**

11.1. There are none arising directly from this report.

#### **12. BACKGROUND PAPERS**

12.1. Medium Term Financial Strategy 2010-13 – September 2009  
Provisional Formula Grant Settlement 2010-11 – DCLG – November 2009  
Estimates 2009-10 – March 2009  
Budget – HM Treasury – April 2009  
Pre-Budget Report – HM Treasury – December 2009

### 13. **RECOMMENDATIONS**

13.1. That the budget projections be kept under review.

13.2. That further efficiencies be sought through the delivery of the strategic change programme, the further extension of that programme and by specific service efficiencies.

IAN COLEMAN  
DIRECTOR OF FINANCE.

FNCE/3/10

## WIRRAL COUNCIL

## BUDGET PROJECTIONS 2011-2014

	2011-12 £M	2012-13 £M	2013-14 £M
Base Budget	333.9	330.0	328.5
Increased Requirements			
Pay Inflation	1.7	1.7	3.5
Price Inflation	3.7	3.7	3.8
Capital Financing	2.0	2.0	2.0
Pension Fund	2.2	2.2	2.2
Waste Disposal	1.4	1.5	1.5
Merseytravel	0.8	0.8	0.8
Private Finance Initiative	0.2	0.2	0.2
Benefits	2.4	2.4	2.5
National Care Service	1.0	-	-
National Insurance	1.2	-	-
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
	353.5	347.5	349.3
Reduced Requirements			
Income Inflation	-1.0	-1.1	-1.1
Benefits Subsidy	<u>-2.2</u>	<u>-2.2</u>	<u>-2.3</u>
	350.3	344.2	345.9
Resources			
Grants	193.1	187.5	181.9
Council Tax	<u>132.9</u>	<u>136.9</u>	<u>141.0</u>
Forecast Resources	326.0	324.4	322.9
Shortfall	24.3	19.8	23.0
Council Tax Increase	4.0	4.1	4.2
Efficiencies Required	20.3	15.7	18.8