

WIRRAL COUNCIL

CABINET

18 MARCH 2010

REPORT OF THE DIRECTOR OF FINANCE

BUDGET PROJECTIONS 2011-2014

1. EXECUTIVE SUMMARY

1.1. This report updates 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 including 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 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 implementation of the personalisation agenda.
- 2.10. Personal Care At Home – The full year effect of the proposed introduction from October 2010 is estimated to cost an additional £1m in 2011-12 net of grant receivable.
- 2.11. 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.
- 2.12. National Insurance – increase by 1% from April 2011 costing £1.2m .
- 2.13. 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.
- 2.14. Home Insulation – increased cost from 2011 of £1m.
- 2.15. Guinea Gap – restoration into budget at a cost of £0.6m.
- 2.16. Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.17. 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.
- 2.18. 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%.
- 2.19 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.
- 3.3. During the course of this budgeting period the results of the Census 2011 will become available and will be incorporated into the grant distribution formulae. The Office for National Statistics has now released the Mid 2008 estimated populations. The reduction for Wirral is greater than for any other metropolitan or unitary authority. If this is confirmed in the Census 2011 then the reduction in grant receivable could be significant.

4. EFFICIENCIES

- 4.1. The Government has increased the efficiency target for 2010-11 to 4% which for Wirral equates to £14.9m. The Government expects that this saving will be reinvested in order to enable delivery of increased efficiency requirements in 2011 to 2014.
- 4.2. If the efficiencies required were to be apportioned between departments then the apportionment of £20m would be:-

	£000
Adult Social Services	7,390
Children and Young People	4,290
Corporate Services	250
Finance	1,890
Law, HR, Asset Management	680
Regeneration	3,290
Technical Services	<u>2,210</u>
	20,000

- 4.3. The main mechanism for delivery of the required efficiencies is the change programme. Cabinet on 14 January 2010 agreed a revised change programme, progress on which will be reported quarterly to the Cabinet.
- 4.4. Cabinet has agreed that efficiencies of £1m will be found in office accommodation from 2011.

5. FINANCIAL IMPLICATIONS

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

6. STAFFING IMPLICATIONS

- 6.1. There are none arising directly from this report.

7. EQUAL OPPORTUNITY IMPLICATIONS

7.1. There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

8.1. There are none arising directly from this report.

9. HUMAN RIGHTS IMPLICATIONS

9.1. There are none arising directly from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1. There are none arising directly from this report.

11. PLANNING IMPLICATIONS

11.1. There are none arising directly from this report.

12. MEMBER SUPPORT IMPLICATIONS

12.1. There are none arising directly from this report.

13. BACKGROUND PAPERS

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

14. RECOMMENDATIONS

14.1. That the budget projections be kept under review.

14.2. 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/25/10

WIRRAL COUNCIL

BUDGET PROJECTIONS 2011-2014

	2011-12 £M	2012-13 £M	2013-14 £M
Base Budget	333.4	329.9	328.3
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	1.6
Merseytravel	0.8	0.8	0.8
Private Finance Initiative	0.2	0.2	0.2
Benefits	2.4	2.4	2.5
Personal Care At Home	1.0	-	-
National Insurance	1.2	-	-
Home Insulation	1.0	-	-
Guinea Gap	0.6	-	-
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
	354.6	347.4	349.2
Reduced Requirements			
Income Inflation	-1.0	-1.1	-1.1
Benefits Subsidy	-2.2	-2.2	-2.3
Office Accommodation	<u>-1.0</u>	<u>-</u>	<u>-</u>
	350.4	344.1	345.8
Resources			
Grants	194.8	189.1	183.6
Council Tax	<u>131.2</u>	<u>135.1</u>	<u>139.2</u>
Forecast Resources	326.0	324.2	322.8
Shortfall	24.4	19.9	23.0
Council Tax Increase	3.9	4.1	4.2
Efficiencies Required	20.5	15.8	18.8