

WIRRAL COUNCIL

CABINET

22 JULY 2010

REPORT OF THE DIRECTOR OF FINANCE

BUDGET PROJECTIONS 2011-2015

1. EXECUTIVE SUMMARY

- 1.1. This report updates the projected budgets for the years from 2011 to 2014 and includes 2014-15 in line with the decision of HM Treasury to undertake a four year Spending Review.

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 those employees earning less than £21,000 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 proposed cost sharing arrangements which are now unlikely to be implemented before 2012-13. In advance of this decision the increase arising from the actuarial valuation currently underway 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 2014-15. 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% and has announced a review of Benefits.
- 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.
- 2.10. Personal Care At Home – the Government has now abandoned this policy and reduced the Area Based Grant.
- 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 – the proposed 1% increase in the employers rate will not now be implemented.
- 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 – in the Budget on 24 March 2010 the target for overall growth in public expenditure was reduced to 0.7%. 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 – the Government has announced a freeze in Council Tax increases for 2011-12.

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. Pensions

- 3.2. The Local Government Finance Settlement due to be announced in December 2010 should cover 2011-15 as HM Treasury intends to deliver a four year Spending Review on 20 October 2010.
- 3.3. The Government has announced that it intends to conduct reviews of the following:-
- a) Local Government Finance
 - b) Public Sector Pensions
 - c) Welfare Benefits
- 3.4. 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. **BALANCES**

- 4.1. The budget for 2010-11 includes balances of £6.5m.
- 4.2. The financial out-turn for 2009-10 was reported to Cabinet on 24 June 2010 and showed an overspending of £1,385,000 offset by increased investment income of £1,185,000 and a contribution from the Collection Fund of £515,000 to produce a net surplus of £315,000.
- 4.3. The Government has announced that the Personal Care at Home scheme will not be proceeding. The revenue budget for 2010-11 will therefore be reduced by £2.6m with a reduction of £1.6m in Area Based Grant.
- 4.4. The Government announced on 10 June 2010 that there would be the following grant reductions for 2010-11:-

	£000
Area Based Grant	3,927
LAA Reward Grant	1,400
Local Authority Business Growth Incentive	<u>200</u>
	5,527

It is assumed that the reduced Area Based Grant will result in reduced expenditure but this decision forms part of a report elsewhere on this agenda.

- 4.5. The Insurance Fund Annual Report was presented to Cabinet on 24 June 2010 including the transfer of £2,471,000 to General Fund balances.
- 4.6. Cabinet on 24 June 2010 agreed that additional VAT of £240,000 recovered from HM Revenue and Customs should be placed in balances.
- 4.7. The budget for 2010-11 provides for pay awards of 1% totalling £1.7m. No pay award has yet been offered.

4.8. The Cabinet has not agreed to any projected overspendings in 2010-11

	£m
4.9. Opening Balances	6.5
Out-Turn 2009-10	0.3
Personal Care at Home	1.0
LAA Reward Grant	- 1.4
LABGI	- 0.2
Insurance Fund	2.5
VAT	<u>0.2</u>
	8.9

5. EFFICIENCIES

- 5.1. The previous Government increased the efficiency target for 2010-11 to 4% which for Wirral equates to £14.9m. The previous Government expected that this saving would be reinvested in order to enable delivery of increased efficiency requirements in 2011 to 2014.
- 5.2. The efficiencies that the Authority will need to deliver for 2011-15 are well in excess of the statutory efficiency target. 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 was to be reported quarterly to the Cabinet.
- 5.3. Cabinet has agreed that efficiencies of £1m will be found in office accommodation from 2011. Progress was reported to Cabinet on 24 June 2010.

6. FINANCIAL IMPLICATIONS

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

7. STAFFING IMPLICATIONS

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

8. EQUAL OPPORTUNITY IMPLICATIONS

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

9. COMMUNITY SAFETY IMPLICATIONS

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

10. HUMAN RIGHTS IMPLICATIONS

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

11. LOCAL AGENDA 21 IMPLICATIONS

11.1. There are none arising directly from this report.

12. PLANNING IMPLICATIONS

12.1. There are none arising directly from this report.

13. MEMBER SUPPORT IMPLICATIONS

13.1. There are none arising directly from this report.

14. BACKGROUND PAPERS

14.1. Medium Term Financial Strategy 2010-13 – September 2009
Formula Grant Settlement 2010-11 – DCLG – January 2010
Estimates 2010-11 – March 2010
Budget – HM Treasury – March 2010 and June 2010

15. RECOMMENDATIONS

15.1. That the budget projections be kept under review.

15.2. That further efficiencies be delivered.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/130/10

WIRRAL COUNCIL

BUDGET PROJECTIONS 2011-2015

	2011-12 £M	2012-13 £M	2013-14 £M	2014-15 £M
Base Budget	326.9	317.3	304.6	292.2
Increased Requirements				
Pay Inflation	1.0	1.0	3.5	3.5
Price Inflation	3.7	3.7	3.8	3.8
Capital Financing	2.0	2.0	2.0	2.0
Pension Fund	2.2	2.2	2.2	2.2
Waste Disposal	1.4	1.5	1.6	1.7
Merseytravel	0.8	0.8	0.8	0.8
Private Finance Initiative	0.2	0.2	0.2	0.2
Benefits	2.4	2.4	2.5	2.5
Home Insulation	1.0	-	-	-
Guinea Gap	0.6	-	-	-
Other Unavoidable Growth	1.0	1.0	1.0	1.0
Efficiency Investment	2.0	2.0	2.0	2.0
	<u>345.2</u>	<u>334.1</u>	<u>325.5</u>	<u>311.9</u>
Reduced Requirements				
Income Inflation	-1.0	-1.1	-1.1	-1.1
Benefits Subsidy	-2.2	-2.2	-2.3	-2.3
Office Accommodation	<u>-1.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
	341.0	330.8	322.1	308.5
Resources				
Grants	186.1	173.4	161.0	148.9
Council Tax	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>
Forecast Resources	317.3	304.6	292.2	280.1
Shortfall	23.7	26.2	29.9	28.4