

WIRRAL COUNCIL

CABINET

23 SEPTEMBER 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 2015 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. Home Insulation – increased cost from 2011 of £1m.
- 2.14. Guinea Gap and Leasowe Recreation Centres – restoration into budget at a cost of £0.6m each.
- 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 £2m per annum has been provided.
- 2.17 Area Based Grant (ABG) – Cabinet on 22 July 2010 agreed to reductions in expenditure for 2010-11 only to meet the £3.9m reduction in ABG.
- 2.18 Swimming - the Department for Culture, Media and Sport has deleted the grant of £0.3m to fund free swimming.
- 2.19. Government Grants – the DCLG has indicated that Government Grants will be reduced by 30% to 40% over the period 2011-15. I have only assumed a reduction of 30%.
- 2.20 Council Tax – the Government has announced a freeze in Council Tax increases for 2011-12, although Local Authorities could be permitted to increase Council Tax by upto 2.5%. From 2012-13 any proposed increase above the rate of inflation would be the subject of a local referendum.

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
 - l. Schools Deprivation.
- 3.2. Consultation is currently underway on a number of options as part of the 2011 settlement.
- 3.3. The Local Government Finance Settlement due to be announced in December 2010 may cover 2011-15 as HM Treasury intends to deliver a four year Spending Review on 20 October 2010. However there is a possibility that the DCLG will issue a two year settlement covering 2011-13 with a subsequent two year settlement for 2013-15 announced after the completion of the review of Local Government Finance.
- 3.4. The Government has announced that it intends to conduct reviews of the following:-
- a) Local Government Finance
 - b) Public Sector Pensions
 - c) Welfare Benefits
- 3.5. 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 |

Cabinet on 22 July 2010 agreed that the reduced Area Based Grant will be matched by reduced expenditure in 2010-11.

- 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. Cabinet on 26 August 2010 agreed to continue to provide free swimming after the withdrawal of the Government grant of £0.2m in 2010-11.
- 4.8. Cabinet on 2 September 2010 agreed to transfer £3.4m from the Insurance Fund to General Fund Balances following the actuarial valuation of the Insurance Fund.
- 4.9. The budget for 2010-11 provides for pay awards of 1% totalling £1.7m. No pay award has yet been offered.
- 4.10. The Cabinet has not agreed to any projected overspendings in 2010-11

| | £m |
|------------------------|--------------|
| 4.11. 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 | 5.9 |
| VAT | 0.2 |
| Free Swimming Grant | - <u>0.2</u> |
| | 12.1 |

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. Revised governance and programme management arrangements for the change programme were reported to Cabinet on 22 July 2010.
- 5.4. Cabinet has to date agreed a number of efficiencies:-
 - a. Cabinet agreed that £1m will be saved from office accommodation from 2011. Progress was reported to Cabinet on 24 June 2010.

- b. Cabinet on 15 October 2009 agreed to the implementation of an integrated Human Resources IT system with initial projected savings of £254,000 for 2011-12, £220,000 for 2012-13, £100,000 for 2013-14 and £20,000 for 2014-15.
- c. Cabinet on 22 February 2010 agreed to the creation of an integrated transport unit with projected savings of £130,000 in 2011-12, £340,000 in 2012-13 and £250,000 in 2013-14.
- d. Cabinet on 18 March 2010 agree to investment in an assistive technology project in Adult Social Services with projected additional savings of £8.8m over 2011-13 after additional investment from the Efficiency Investment Budget of £6.0m.
- e. Cabinet on 15 April 2010 agreed to investment in family group conferencing to deliver savings of £70,000 in 2011-12 and £130,000 in 2012-13.
- f. Cabinet on 22 July 2010 agreed to proceed with a parks and countryside service procurement exercise. Following a call-in on 31 August 2010 the estimated savings have been revised to £173,000 in 2011-12, £1,255,000 in 2012-13 and £1,255,000 in 2013-14.

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/162/10

WIRRAL COUNCIL

BUDGET PROJECTIONS 2011-2015

| | 2011-12 £M | 2012-13 £M | 2013-14 £M | 2014-15 £M |
|----------------------------|---------------|---------------|---------------|---------------|
| Base Budget | 330.8 | 315.0 | 303.7 | 292.6 |
| 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 | 0.1 | 0.1 | 0.1 | 0.1 |
| Benefits | 2.4 | 2.4 | 2.5 | 2.5 |
| Home Insulation | 1.0 | - | - | - |
| Guinea Gap | 0.6 | - | - | - |
| Leasowe Recreation Centre | 0.6 | - | - | - |
| Swimming | 0.3 | - | - | - |
| Other Unavoidable Growth | 1.0 | 1.0 | 1.0 | 1.0 |
| Efficiency Investment | 2.0 | 2.0 | 2.0 | 2.0 |
| | <u>349.9</u> | <u>331.7</u> | <u>323.2</u> | <u>312.2</u> |
| Reduced Requirements | | | | |
| Income Inflation | -1.0 | -1.1 | -1.1 | -1.1 |
| Benefits Subsidy | -2.2 | -2.2 | -2.3 | -2.3 |
| Savings Agreed | <u>-1.6</u> | <u>-2.0</u> | <u>-1.6</u> | <u>-</u> |
| | 345.1 | 326.4 | 318.2 | 308.8 |
| Resources | | | | |
| Grants | 180.5 | 165.9 | 151.3 | 136.7 |
| Council Tax | <u>134.5</u> | <u>137.8</u> | <u>141.3</u> | <u>144.8</u> |
| Forecast Resources | 315.0 | 303.7 | 292.6 | 281.5 |
| Shortfall | 30.1 | 22.7 | 25.6 | 27.3 |