



## WIRRAL COUNCIL

# MEDIUM TERM FINANCIAL STRATEGY

SECTION	CONTENTS
<b>1.0</b>	<b>EXECUTIVE SUMMARY</b>
1.1	Introduction
1.2	Statement of aims
1.3	Review
<b>2.0</b>	<b>NATIONAL ISSUES</b>
2.1	The National Economic Position and Impact of the Recession
2.2	Emergency Budget and Spending Review
2.3	Local Government Finance Settlement
<b>3.0</b>	<b>LOCAL ISSUES</b>
3.1	Facts and figures
3.2	The Wirral priorities
3.3	Allocation of resources to priorities
<b>4.0</b>	<b>CAPITAL PLAN</b>
4.1	Introduction
4.2	Capital Programme
4.3	Resources
<b>5.0</b>	<b>REVENUE PLAN</b>
5.1	General
5.2	Government Funding
5.3	Local Funding
5.4	Influences
5.5	Council priority area issues
5.6	Financial projections
<b>6.0</b>	<b>RISK ASSESSMENT</b>

CABINET NOVEMBER 2010

## **1.0 EXECUTIVE SUMMARY**

### **1.1 Introduction**

- 1.1.1 The vision for Wirral is of a more prosperous and equal Wirral, enabling all communities and people to thrive and achieve their full potential. The vision is set out in Wirral's Sustainable Community Strategy and reflected in the Council's Corporate Plan.
- 1.1.2 The Corporate Plan is supported by a series of longer term aims and annual priorities which are refreshed on an annual basis and guide future actions. This helps prioritise the use of resources as the Council continues to operate in an increasingly complex and challenging environment and informs the way in which the Council works with its partners who share many of these aims.
- 1.1.3 The 'Wirral's Future, be a part of it' consultation will also play significant role in shaping future priorities and the delivery of services. This consultation being undertaken is the first of an annual wide ranging exercise involving residents, staff, stakeholders, businesses and community groups.
- 1.1.4 The national priorities of the Government are aligned with local priorities as part of the Council's corporate and business planning process in order to prioritise available resources. Wirral remains committed to maximising the use of scarce resources and directing these towards priority areas whilst keeping Council Tax at an affordable level as evidenced by recent Council Tax rises.

### **1.2 Statement of aims**

- 1.2.1. This Strategy aims to support the delivery of the Council Vision and the Corporate Plan. It seeks to indicate the resource issues and principles that shape the Council budget; to identify current issues and to consider potential developments / related issues that are likely to provide the basis for future budgets.
- 1.2.2 With insufficient resources to meet all aspirations the Medium Term Financial Strategy guides and shapes spending to maximise achievement of the Council's priorities, and seeks to achieve this, by:-
- Providing a framework for the management of financial resources to support the Annual Budget.
  - Redirecting resources towards meeting the Council objectives.
  - Subjecting spending plans to regular review to ensure that they are aligned with need and outcomes of the public consultation and promote value for money and service improvement.
  - Applying an overall risk assessment together with controls to ensure any impact is controlled.

### **1.3 Review**

- 1.3.1 The Strategy's timescale has been extended to cover the period up to 31 March 2015. This aligns the Strategy with both the projected period covered

by the Chancellor of Exchequer's 2010 budget and the intended life of the Spending Review period. Whilst the Strategy will be valid at least until 2015 it will be annually reviewed to ensure it remains relevant. For 2009 the main changes reflect the economic projections from the Chancellor and the updated Corporate Plan agreed in March 2010. The annual Budget provides the detail of what is being delivered to implement this Strategy.

## **2.0 NATIONAL ISSUES**

### **2.1 The National Economic Position and Impact of the Recession**

2.1.1 The general global economic outlook remains poor and will impact upon the national economy with the high level of public debt likely to curtail Government manoeuvrability. This may be further restricted if the date of recovery and subsequent growth forecasts are not realised.

2.1.2 The UK economy is still weak and has only just moved out of recession. Since coming to power in May 2010 the Coalition Government has announced a series of measures aimed to tackle the economic situation and the structural deficit. There are a number of likely financial consequences for all local authorities including:-

- Reductions in future government grant settlements to local authorities.
- Increases in demand for services particularly relating to welfare support.
- Additional demands to provide new services to deal with impacts of the recession on communities.
- Possible structural and resource changes linked to 'free' Schools, Academy Programmes, Big Society and Localism initiatives
- Reduction in income from fees and charges.
- Reductions in level of capital receipts achieved.
- Negative impact on likely investment into regeneration based schemes
- Reduced funding for partner organisations

2.1.3 Wirral's Strategy and Plan reflect the latest forecasts and assumptions for the impact of the recession and the Plan will be regularly updated and reported to Cabinet.

### **2.2 Emergency Budget and Spending Review**

2.2.1 The Chancellor of the Exchequer published an Emergency Budget on 22 June 2010. The Emergency Budget contained a number of measures to begin the deficit reduction process during 2010/11. It also contained a number of economic forecasts:-

2.2.2 The UK economy is forecast to grow by 1.2% in 2010, 2.3% in 2011, 2.8% in 2012, 2.9% in 2013 and 2.7% in both 2014 and 2015. The inflation target remains unchanged at 2% although inflation is likely to be higher than this in the short term.

2.2.3 The structural deficit should be in balance by 2015/16. Public sector net borrowing forecast is £149 billion for 2010/11, reducing in later years to £116

billion in 2011/12 £89 billion in 2012/13, £60 billion in 2013/14 and £37 billion in 2014/15.

- 2.2.4 There will a series of spending reductions across the public sector although some areas will be protected. Unprotected departments are facing a real term cut of at least 25% over a four year period with higher estimates indicating real term reductions as high as 40%.
- 2.2.5 Details of the Comprehensive Spending Review (CSR) will be announced on 20 October 2010. The CSR will cover a four year period ending in 2014/15 and is likely to provide a broad outline of future resource allocation across the public sector.

## **2.3 Local Government Finance Settlement**

- 2.3.1 The Local Government Finance Settlement is expected to be announced in December 2010 following the Comprehensive Spending Review 2010. There are also reviews of Local Government Finance, Public Sector Pensions and Welfare Benefits under way. There is a possibility that the detailed settlement may cover only two years (2011/13) of the CSR period with a further two years (2013/15) announced after the outcome of the other reviews.
- 2.3.2 The grant allocation comprises a series of elements based upon needs and resources that is adjusted to ensure that all authorities receive a minimum level of increase each year. It is available to support all Council services.
- 2.3.3 All of the indications are that the Comprehensive Spending Review and Local Government Finance Settlement will lead to a significant reduction in resources available to local authorities.

## **3.0 LOCAL ISSUES**

### **3.1 Facts and Figures**

- 3.1.1 Wirral's Sustainable Community Strategy and the Council Corporate Plan set out an understanding of the local issues facing the borough which is a place of enormous opportunity also of sharp contrasts.
- 3.1.2 The overall picture masks inequalities for local people as Wirral residents experience some of the country's most notable variations in economic and social well being. A substantial percentage of Wirral's population live within some of the country's most deprived areas, whilst there are also a large number that live in some of the country's most affluent areas.
- 3.1.3 Wirral's population has declined from over 355,000 during the 1970s to 308,500 in mid-2009. The population is skewed towards older age groups, with a lower proportion of younger adults and a higher proportion of older people than the averages for the rest of England and the North West. The fastest falling population categories are the 24 years and under age groups. With the availability of employment in the borough being lower than the national

average a significant number are travelling outside for jobs. The outcome of the 2011 Census will become known during the next 12 months and any reduction in population is likely to have a detrimental impact upon Central Government grant allocations for Wirral.

### **3.2 The Wirral priorities**

3.2.1 The approach to corporate planning integrates national and local priorities and the Council Corporate Plan contains the five corporate objectives set to achieve the Vision of a more prosperous and equal Wirral, enabling all communities to achieve their full potential:-

- To create more jobs, achieve a prosperous economy and regenerate Wirral.
- To create a clean, pleasant, safe and sustainable environment.
- To improve health and well-being for all, ensuring people who require support are full participants in mainstream society.
- To raise the aspirations of young people.
- To create an excellent Council.

3.2.3 The Corporate Plan is supported by a series of annual priorities which are refreshed on an annual basis with the main emphasis being to use the available resources to reduce inequalities within the borough.

3.2.4 The shaping of future priorities and the delivery of services will also be influenced by the 'Wirral's Future, be a part of it' consultation. This consultation being undertaken is the first of an annual wide ranging exercise involving residents, staff, stakeholders, businesses and community groups. It is intended that this will also inform the developing Localism Agenda.

### **3.3 Allocation of resources to priorities**

3.3.1 To create more jobs, achieve a prosperous economy and regenerate Wirral.

The Council has allocated revenue and capital resources to support working with private sector partners and Wirral Partnership Homes. This includes the Investment Strategy with developments within NewHeartlands, New Brighton and the Wirral Waters/Docklands area. The investment is complemented by the use of Working Wirral funding which includes the Apprenticeship Programme and planned investment in super-fast fibre optic broadband to support the development of businesses.

3.3.2 To create a clean, pleasant, safe and sustainable environment.

Resources allocated to the streetscene contract and towards waste initiatives have realised continued improvements in recycling rates. Actions over climate change and sustainability has seen further investment in energy conservation measures that reduce the burden of future price rises. These include installations to allow automatic meter reading and automatic power down programmes for pcs. Energy efficiency grants have been made available for community buildings, a carbon budget established and a free home insulation

programme developed to private sector households. Again the Newheartlands programme supports the delivery of this objective.

### 3.3.3 To improve health and well-being for all and in providing support for vulnerable people

Additional resources made available for Adult and Children Services. Within Adult Social Services progress is being made with the transformation agenda and the availability of personal budgets. Investment has been made in assistive technology to help support residents to live in their homes, but the demands from an ageing population for social care continue to increase and prove to be a challenge. By responding to the pressures faced earlier intervention is essential to success, with the Children and Young People Plan key in delivering the Every Child Matters agenda.

### 3.3.4 To raise the aspirations of young people

The continued capital investment into schools including the Building Schools for the Future, Woodchurch High School, Primary Schools, Academy Programmes and Childrens Centres. This is supported by targeting funding to the needs of children in deprived communities.

### 3.3.6 To create an excellent Council

The Council Tax increase for 2010/11 of 1.67% showed the commitment to continuously improve services whilst keeping Council Tax affordable through the securing of value for money. Wirral's Council Tax, the 4th highest in the country in 2000/01 is now the 186th highest. The increasing community involvement through Area Forums, the Parliaments for younger and older people was supported by Participatory Budgeting with funds made available for the Forums to allocate on projects or services. Further work undertaken during 2010/11 will seek to meet the localism agenda and will complement the outcome of the Your Wirral – be a part of it consultation programme.

## **4.0 CAPITAL PLAN**

### **4.1 Introduction**

4.1.1 The Government allocates funding based upon what the Council is expected to invest in the areas of education, transport and social services. Under the Prudential Code for Capital Finance for Local Authorities, additional spend on capital investment can be incurred as long as the plans are affordable, prudent and sustainable. This is measured by a series of indicators integral to the Treasury Management policy of which the key is the revenue cost.

4.1.2 The agreed Investment Strategy for Wirral sees the Council and our partners committed to encouraging focused and dynamic development while maintaining and enhancing Wirral's unique character and high quality of life. The Strategy will ensure Wirral continues to be a prosperous and sustainable place to invest in, live, work and visit.

4.1.3 The Council increasingly works with the private sector to maximise resources in the continued regeneration of Wirral. The Capital Strategy identifies the links with the Corporate Plan and informs the programme of investment. With resources insufficient to meet all of the aspirations the programme is prioritised based upon criteria that take account of the priorities.

## **4.2 Capital Programme**

4.2.1 The three year Capital Programme is agreed each December and any schemes considered for approval are subject to a Business Case submission and evaluated against the agreed priorities of the Council.

4.2.2 Under regeneration and housing the NewHeartlands initiative is a long running project, primarily focussed upon housing, to regenerate the east side of Wirral and is presently part of the wider area encompassing parts of Sefton and Liverpool and is again government grant funded. This funding is subject to regular review by Government and future allocations depend upon the progress being achieved.

4.2.3 The Local Transport Plan details the programme in respect of maintaining local transport routes and improving community safety. The major scheme is the M53 Bidston Viaduct scheme funded primarily by Central Government but where the Council also makes a contribution. Wirral is a waste collection authority, but the Merseyside Waste Disposal Authority (MWDA) provides the disposal facilities, investing in Bidston, with further initiatives planned as part of the Merseyside Waste Management Strategy. The cost of these initiatives is met by the constituent authorities through the MWDA levy.

4.2.4 Improving facilities available for use by the people of Wirral, includes the Extra Care Housing facility at former Mendell Lodge site, due for completion in January 2011 and improvements to Cultural Service Assets (including libraries, leisure centres and museums). The Council 'Invest-To-Save' projects include improvements to residential care arrangements and the continuing energy efficiency programme reducing our energy use and CO<sub>2</sub> emissions in Council buildings and street lighting.

4.2.5 In supporting young people the major spending areas are the new Building Schools for the Future schools for Woodchurch and the Birkenhead High Girls Academy; the Primary Schools strategy and the development of Childrens Centres. In addition significant resources are also allocated for smaller school projects. Approximately 70% of the programme is funded by government grants.

4.2.6 There are also ongoing IT enhancements and the Strategic Asset Review which seeks to provide facilities that meet the aspirations of the people of Wirral.

### Capital Programme as at 30 September 2010

Programme	2011/12 £million*	2012/13 £million*	2013/14 £million*	2014/15 £million*
Adult Social Services	0.1	0	0	0
Corporate Services	2.1	0.3	0	0
Children & Young People	25.9	17.5	15.0	15.0
Finance	1.5	1.5	0	0
Law, HR & Asset Management	0	0	0	0
Regeneration	17.6	17.6	14.0	14.0
Technical Services	9.7	8.7	10.0	10.0
Total programme	56.9	45.6	39.0	39.0

\* Estimated as future years will be informed by the Government Comprehensive Spending Review 2010 and Local Government Finance Settlement 2011/12.

### 4.3 Resources

- 4.3.1 Under the Prudential Code the authority can borrow to fund capital spend up to the level that can be afforded. The Government provides funding to support a certain level of borrowing known as supported borrowing. However the level of supported borrowing has been halved in 2010/11 and future levels will be reviewed in the autumn of 2010. Assumptions on the level of borrowing have been reflected in the Medium Term Financial Strategy and revenue plan.
- 4.3.2 Government Grants are specific to schemes and are allocated in accordance with the terms of the grant approval. Primarily within the areas of educational development and regeneration this includes NewHeartlands as well as employment/regeneration projects. It should be noted that the Government is undertaking a review of capital grants with a view to reducing the level of grants and moving toward more non specific grants. Further information should be available after the Spending Review is complete.
- 4.3.3 The unpredictable nature of the timing of capital receipts means that they are used to provide flexibility in funding the programme. The receipts are projected from the likely sale of assets resulting from the Asset Management Plan and include former school sites and the agreement with Wirral Partnership Homes for the sharing of receipts from sales of former Council houses.

### Capital Resources as at 30 September 2010

Resource	2011/12 £million*	2012/13 £million*	2013/14 £million*	2014/15 £million*
General Capital Resources	9.6	8.7	3.4	3.4
Supported Borrowing	6.2	5.3	5.3	5.3
Government Grants	40.8	31.3	30.0	30.0
Revenue, Reserves, Contributions	0.3	0.3	0.3	0.3
Total resources	56.9	45.6	39.0	39.0



\* Estimated as future years will be informed by the Government Comprehensive Spending Review 2010 and Local Government Finance Settlement 2011/12.

## **5.0 REVENUE PLAN**

### **5.1 General**

- 5.1 As with capital there will never be sufficient resources to meet all of our service delivery ambitions. In recognition of this the Corporate Plan identifies the main priorities to direct, and provide a focus for, the allocation of Council resources.
- 5.2 The Revenue Plan has been prepared at a strategic level and is not intended to replace the detailed budget process that will continue within the existing time-scales. Assumptions have been made as at early October 2010 regarding future Government funding with projections based upon the contents of the other related plans.
- 5.3 Throughout the year reports are provided to Cabinet on the projected budgets for future years and provide a regular update on the issues identified in the Medium Term Financial Strategy.

### **5.2 Government Funding**

- 5.2.1 The Comprehensive Spending Review 2010 covering the period 2011/12 to 2014/15 will result in reduced funding for local authorities. In delivering its services the Council must continue to have regard for its statutory duties.
- 5.2.2 The Local Government Finance Settlement saw Wirral receive an increase in formula grant of 3.3% for 2010/11. This was higher than similar authorities to Wirral as a consequence of previous amendments to the allocation formulas. The Chancellor of the Exchequer in the Emergency Budget of June 2010 stated that there would be reductions in grant from 2011/12 reflecting the government pledge to eliminate most of the structural deficit by 2014/15. In addition the continued decline in Wirral's population will also likely have implications for the level of future government grant received.
- 5.2.3 From 2008/09, many grants paid specifically for the delivery of particular services were transferred into the Area Based Grant which is a general grant for use by the Authority. Government has indicated that the removal of ring fencing will result in a further reduction in the number of specific grants. The 2010/11 Area Based Grant allocation was reduced by £3.9 million following June's Emergency Budget. It is very likely that future years allocations will also be reduced. The Dedicated Schools grant used for the provision of schools will remain as the most significant specific grant.
- 5.2.4 The previous Government expected local authorities to deliver annual 'cashable' efficiency improvements of 3% which increased to 4% per year for 2010/11. The Coalition Government is likely to remove such centrally imposed targets. However reduced central funding and limitations on expected Council

Tax increases will mean that local authorities must continue to identify and deliver substantial efficiencies.

### **5.3 Local Funding**

- 5.3.1 After Government Grants Council Tax presently provides the balance of the funding of the net spend of the Council. The aim is to set Council Tax at affordable levels and within parameters laid down by central government. The assumption within this Plan is that there will be Council Tax rises of 2.5% per year although the final figures may vary depending upon any directions from Central Government..
- 5.3.2 Opportunities for increasing income are being explored and charges for services will be set having regards to the other objectives of the Council. Charges are reviewed, at least, annually and increased primarily in line with inflation (present assumptions are 3% per year) whilst being compared to other authorities, the local market and affordability. Income generation is balanced against the socio-economic factors and links to the Corporate Plan objectives. Examples being the free swimming schemes which complement healthy lifestyles and the car parking policy linked to the regeneration and environmental objectives.
- 5.3.3 The freedoms offered by legislation allow authorities to charge for discretionary services and therefore an opportunity to increase resources. This can only be implemented within set criteria and the Council continues to explore new income stream opportunities.
- 5.3.4 The Government recognises the importance of economic development and the role local authorities have in shaping their areas and providing accountability for regeneration initiatives. Regional development Agencies are being abolished and a new £1 billion Regional Growth Fund has been established to encourage local authorities, businesses and communities to work together to provide economic growth. Proposals have also been unveiled regarding incentives to local authorities for new home provision based upon a multiplier of additional council tax receipts raised.

### **5.4 Influences**

#### **5.4.1 Securing investment and financing**

The Council continues to look at all options for securing investment into the local area. Working with private sector partners significant schemes have been developed for New Brighton and for the Wirral Waters development. It is anticipated that over its lifetime the latter scheme will bring several billion into the Wirral economy.

Previous investment has seen the Private Finance Initiative used for improving secondary schools, the transfer of the housing stock to address the needs of Council dwellings and bidding for Government funding, including the Lottery Fund, and the NewHeartlands programme.

#### 5.4.2 Council Balances

The Local Government Act 2003 and CIPFA consider that the Director of Finance should recommend the level of general balance. This is maintained at an appropriate level having regard to the financial management and control framework taking into account risk management and the risks identified in the budget process. The balance should be set at 2% of the net revenue budget and this equates to for £6.5 million for 2010/11.

Amounts are also set-aside for specific purposes being held either in reserves or provisions in accordance with the appropriate accounting practice. These are reviewed at least twice a year to ensure that they are still required for the purpose intended and maintained at adequate levels.

#### 5.4.3 Inflation

In line with Government projections inflation has been assumed at 2% over the next three years for prices. Pay inflation for 2011/12 and 2012/13 has been restricted to a maximum flat rate of £250 for those earning less than £21,000 per annum following Central Government announcements of a two year pay freeze.

A general amount for non-specific growth is included in the projections to fund smaller items of up to £0.2 million resulting from legislative changes. The Merseyside Waste Disposal Authority levy is projected to rise by 8% per year and Landfill Tax is predicted to increase by £8 per tonne per year representing a 50% increase between 2010/11 and 2014/15. A 3% per annum increase in the Merseytravel levy has also been assumed.

#### 5.4.4 Links to other resource strategies

**Capital Strategy:** Support for capital investment is assumed to continue but at a much reduced level between 2011/15. Submissions for funding are based upon a Business Case which prioritises submissions against meeting the corporate objectives. The Capital Programme process includes any Invest-to-save schemes with the programme agreed each December.

**Human Resources:** The resource challenges facing local authorities will result in fewer staff. The efficiencies required assume this and the HR strategy will cover issues of business continuity and maintenance of appropriate skills within the workforce. Wirral continues to implement the local pay review, originally agreed as part of the 1996 pay award, with any decisions to be effective from April 2007. Whilst largely resolved in 2008 resources have been made available to meet the on-going commitments.

**Information Technology:** Support for investment is based upon the submission of a Business Case which is then assessed against prioritisation criteria reflecting the corporate objectives. The programme is agreed each December and incorporated into the budget process.

#### 5.4.5 Efficiency and Value for money

Wirral remains committed to delivering value for money through keeping Council Tax affordable and maintaining improvements in services. Spending plans are subject to continuous review to ensure that they are aligned with need as the aim is to deliver high quality, well-performing services within the finite resources available. Whilst costs should compare well with other authorities and be reflective of service delivery and outcomes achieved as it is the outcomes rather than the processes that are the key to success.

#### 5.4.6 Insurance

The Council has continued to be pro-active in risk management and in the treatment and defence of insurance claims. This was again recognised in the Insurance Fund annual report and the assessment of potential liabilities arising from past and predicted claims enabled the amounts set-aside for outstanding claims to again be reduced. The main liabilities contracts were renewed on improved terms during 2010.

#### 5.4.7 Pension Costs

An actuarial revaluation of the Pension Fund will be completed in 2010. Latest projections which reflect change in pension regulations are for an annual increase of 1.5% or £2 million. In addition, the agreed outsourcing of highways and engineering services will result in a further annual increase of £0.2 million.

#### 5.4.8 Promoting choice

The reforms within Adult Social Services will see the implementation of the personalisation agenda. Individuals will receive the funding directly for care services and be able to choose those services which they require to use.

### **5.5 Council priority area issues**

#### **5.5.1 To create more jobs, achieve a prosperous economy and regenerate Wirral**

The Council continues to progress the delivery of the Investment Strategy of which the key projects involve working with development partners on the New Brighton, Woodside and Wirral Docklands schemes. Outline Planning Permission was granted during 2010 for the multi-billion pound Wirral Waters scheme.

The Authority has earmarked funds to support the roll out of superfast broadband to attract and retain businesses to Wirral and to help provide competitive advantage. Businesses have also been supported via the use of grant programmes.

The NewHeartlands Initiative with Wirral, Liverpool and Sefton, tackling areas of poor quality and unpopular housing accommodation and replacing it with that more suited to modern requirements continued. Targeted at strategic areas the aims of this Government funded initiative are to secure regeneration and sustainability for the future.

The Working Wirral funding, including the Apprenticeship programme continues to be focussed upon increasing job opportunities and helping secure the continuation of existing jobs. The Future Jobs Fund initiative which is funded until September 2011 is also anticipated to result in the creation of approximately 700 jobs.

### **5.5.2 To create a clean, pleasant, safe and sustainable environment**

The Government has set targets regarding waste recycling and the diversion of waste away from landfill. The increase in Landfill Tax is projected to be at a rate of £8 per tonne per annum and will be reflected in the levy upon the Merseyside authorities from the Merseyside Waste Disposal Authority.

Major capital investment is required to achieve the recycling target. The Merseyside Waste Disposal Authority has opened a Material Recycling Facility at Bidston and is pursuing a Private Finance Initiative scheme for residual waste treatment facilities across Merseyside. This will see the predicted levy increase by 8% per year over the next few years.

The Council Environmental Streetscene Services contract covers waste collection, recycling and street cleansing services and as the range of services expands this realises environmental and cash benefits through increased recycling and reduced landfill costs (via the levy).

Improvements to housing and community safety are within the investment into the former Council housing stock achieved with the transfers to Wirral Partnership Homes and Beechwood & Ballantyne Community Housing Association in February 2005.

The Council awarded a combined Highways and related maintenance services contract from 2009/10 that realised efficiencies upon acceptance of the contract. An exercise is currently underway to procure a contract with a suitable partner for a parks and open spaces contract. This is expected to generate both efficiencies and service improvements.

In addressing sustainability work continues on energy efficiency measures and investment into energy schemes. Resources have been allocated to reduce the carbon footprint of private dwellings on the Wirral through offering Insulation programmes and measures approved to improve the efficiency of Council buildings.

The asset transfer programme continues with communities being engaged in the operation and maintenance of a number of former authority buildings.

### **5.5.3 To improve health and well-being for all, ensuring people who require support are full participants in mainstream society**

Adult Social Services continue to face demand pressures through the demographic changes on Wirral and an increasingly ageing population. As with Children's Services further resources have been allocated to Adult Social Services over recent years and there has been closer working with NHS Wirral to better use the resources available locally.

Wirral is responding to the changing emphasis in transforming adult services care provision with pilots to aid the implementation of personal budgets and through substantial investment in assistive technology. Personal budgets will provide individuals with the choice of purchasing care and support which will impact upon the services provided by the Council as well as other public sector and private sector providers. Assistive technology will help individuals to remain in their home, achieve a better quality of life and reduce pressures on more expensive forms of care.

### **5.5.4 To raise the aspirations of young people**

Education is a key priority of the Coalition Government. The Dedicated Schools Grant and three-year budgets for schools further guarantee schools funding being ring-fenced. The national distribution of the grant is currently being reviewed.

A number of initiatives are being considered by the new government. These include the expansion of academies, the establishment of 'free' schools operating outside of the local authority framework and payment of a pupil premium targeted at those in disadvantaged groups.

An issue facing the education service continues to be that of falling rolls as reflected in local demographic changes and declining population. With fewer school places required the Council has agreed to reduce school provision. The running costs for those closed remain within the schools service, being redistributed, whilst the Council benefits from the sale of the assets.

The capital investment into the Building Schools for the Future programme at Woodchurch, work on developing the Birkenhead High Girls Academy and the developing Primary schools programme will change the school provision throughout Wirral

In supporting the raising of aspirations and the narrowing of the attainment gap there are linkages to the other aims and objectives including the creation of more jobs, through the Apprenticeship Programme, and health and well-being through support for looked after children.

### **5.5.5 To create an excellent Council**

A substantial programme of public consultation using various media channels has been implemented. This will help inform and shape the priorities of the

Authority and assist with future decision making regarding the use of resources. Supplementing the consultation, work around Localism is being undertaken to further to increase community engagement and influence. This will also take forward any relevant Central Government Localism Agenda proposals.

To best respond to modern demands for its services, the Council is undergoing a number of organisational changes to its structures. These have included the reduction in departments, the transfer of responsibilities between departments and increased partnership working. Future resource pressures and the need to deliver services in different ways and with fewer staff may result in further changes

The Customer Access Strategy is delivered through the 'front-of-house network' of the Call Centre, One Stop Shops, Information Points and the new Neighbourhood Centres with this being enhanced through the new Council web-site. Joint working, including the joint use of facilities with other agencies, sees a co-ordinated approach with work in this area previously recognised with awards for Customer Services and by the Audit Commission review of Access to Services.

The modernisation agenda through the integration of existing IT systems aims to provide improved services encompassing the support systems integrating Customer Relationship Management, Content Management and the Financial systems. With substantial investment in assets and in the way services are provided there are efficiencies that can be achieved through the medium-to-long term through the re-engineering of service delivery.

The Council is implementing a Strategic Asset Review which will make improvements to service delivery, contribute towards the sustainability programme and also realise financial benefits through operational efficiencies. A number of assets have been transferred from Council ownership for community use. An accommodation review is being undertaken which should result in efficiencies and a reduced number of administrative buildings.

The purchasing of goods and services for the best price available has been strengthened through the adoption of a Procurement Strategy and the establishment of a Procurement Unit. By using the opportunities afforded by the changing systems this will continue to provide additional benefits.

## **5.6 Financial projections**

5.6.1 The financial projections are based upon the preceding sections and indicate a shortfall between spend and income. The Council Tax figures assume a Council Tax rise of 2.5%% per year and the shortfall will be made up from efficiency savings identified throughout the period.

5.6.2 To give an indication of potential variations for some of the key assumptions the impact of each 1% variation for each assumption is summarised in the following table:-

<b>Effect of 1% variation in:-</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Inflation – Pay	1.7	1.7	1.7	1.7
Inflation – Prices	2.1	2.1	2.1	2.2
Inflation – Income	0.3	0.3	0.3	0.3
Council Tax income	1.3	1.3	1.3	1.4

5.6.3 It should be noted that these projections are based upon assumptions regarding the future Local Government Finance Settlements and financial assessments made based on the latest information available. As further information is received this will be reported in the regular updates to Cabinet.

#### **GENERAL FUND PROJECTIONS (as reported to Cabinet 14 October 2010)**

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>BASE BUDGET</b>	330.8	315.0	303.7	292.6
<b>PLUS: IDENTIFIED CHANGES</b>				
Inflation – Pay	1.0	1.0	3.5	3.5
Inflation – Prices	3.7	3.7	3.8	3.8
Capital financing	2.0	2.0	2.0	2.0
Waste disposal costs	1.4	1.5	1.6	1.7
Pension Fund	2.2	2.2	2.2	2.2
Merseytravel	0.8	0.8	0.8	0.8
Private Finance Initiative	0.1	0.1	0.1	0.1
Benefits (net of Subsidy)	0.2	0.2	0.2	0.2
Home Insulation	1.0	-	-	-
Unavoidable growth	1.0	1.0	1.0	1.0
Efficiency Investment Fund	2.0	2.0	2.0	2.0
Inflation – Income	-1.0	-1.1	-1.1	-1.1
Guinea Gap	0.6	-	-	-
Leasowe Recreation Centre	0.6	-	-	-
Swimming	0.3	-	-	-
Agreed efficiencies	-1.6	-2.0	-1.6	-
Efficiency Plan/Savings Required	-30.1	-22.7	-25.6	-27.3
<b>FORECASTED BUDGET</b>	<b>315.0</b>	<b>303.7</b>	<b>292.6</b>	<b>281.5</b>
<b>RESOURCES</b>				
Government Grant	180.5	165.9	151.3	136.7
Council Tax	134.5	137.8	141.3	144.8
<b>RESOURCES</b>	<b>315.0</b>	<b>303.7</b>	<b>292.6</b>	<b>281.5</b>
<b>GENERAL BALANCE</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>

The Council has agreed the allocation of the efficiency savings across departments and this continues to be updated as part of the regular Projected Budget reports to Cabinet throughout the year.



In terms of resources a Council Tax increases the Coalition Government have announced a freeze for 2011/12. It has been assumed for later years that Authorities could be allowed to increase Council Tax by inflation. An increase of 2.5% per year has been assumed. With the final outcome of the SR 2010 unknown at this stage the projected Grant has, at this stage been based on indications of the likely range of reduced grants coming from Central Government and the DCLG. A reduction of 30% has therefore been assumed between 2011/12 and 2014/15.

## 6.0 RISK ASSESSMENT

6.1 The Council, whilst providing services also assists in the social and economic development of Wirral. The management of risks helps in the achievement of the objectives, improves services and delivers value for money. The Risk Strategy sets out the policy and the framework for risk management which links with the overall planning process and the risk registers. The main financial risks facing the Council are:-

<b>RISK / ACTION</b>	<b>PROBABILITY</b>	<b>IMPACT</b>	<b>ACTIONS TO REDUCE RISK</b>
Spending Review outcome results in significantly reduced resources requiring strategic management of resources	High	High	Change programme and budgetary processes. Consultation process to assist prioritisation
Spending Review outcome results in significantly reduced resources for Partners which impact on Council	High	Medium	Local Strategic Partnership work and Strategic Change Programme
Staffing reductions results in loss of skills and negative impact on services and finances	Medium	High	Evaluation of impact of EVR/Severance requests. Service planning and structural changes
Efficiency Plan / savings are not delivered	Medium	High	Appraisal of issues at start Regular reporting of progress, revised change programme arrangements
Demand for adult social care services increases	Medium	High	Lobbying of Government Regular monitor and report
Health service issues add to Council pressures	Medium	High	Agreements with NHS Wirral Effective care management Regular dialogue with sector
Demand for children care services increases	Medium	High	Additional resources 2009/10 Focus upon key areas Regular monitor and report
Cost of waste / recycling services increase	Medium	High	Lobbying of Government Regular monitor and report
Forecasts of future spending needs under-estimated	Medium	Medium	Regular review of financial and service plans
Resources are not targeted towards priorities	Medium	Medium	Re-allocate wherever possible Consultation process. Regular review

Forecasts of future spending needs, pay and inflation vary from assumptions	Medium	Medium	Inflation targets Pay awards predictable Regular review of Strategy
Income targets not achieved	Medium	Medium	Identify volatile areas Regular financial monitoring
Budgetary Control fails to stop Council overspending	Low	Medium	Identify volatile areas Regular reporting
Failure to deliver the personalisation agenda	Low	High	Focus medium term resources Personal Budget pilot Regular reporting on progress
Balance insufficient to meet unforeseen events	Low	Medium	Maintain at adequate level Regular review and monitor
Efficiencies result in costs in later years .eg. failure to maintain buildings	Low	Medium	Scrutiny and call in of decisions Strategic Change Programme processes
Severe weather and other incidents	Low	Medium	Maintain emergency plans Assessment of balance
Legislative changes including funding not anticipated	Medium	Low	Assess Government policy Member of groups (SIGOMA)
Revenue implications of capital projects not included	Low	Low	Reports identify the revenue effects of projects