

# **WIRRAL COUNCIL**

## **CABINET**

**9 DECEMBER 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 taking into account the Spending Review 2011-15 presented on 20 October 2010.

##### **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 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.
- 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 to increase in 2011-12 by the amount of the grant receivable for concessionary travel and from 2012 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 previous Government announced that the Reform Grant of £1.9m will cease in 2011-12 with the assumed implementation of the personalisation agenda.
- 2.10. Carbon Reduction Commitment – payment of £1.0m commencing in 2011-12.

- 2.11 Home Insulation – increased cost from 2011 of £1m.
- 2.12 Guinea Gap and Leasowe Recreation Centres – restoration into budget at a cost of £0.6m each.
- 2.13 Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.14 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.
- 2.15 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.
- 2.16 Swimming - the Department for Culture, Media and Sport has deleted the grant of £0.3m to fund free swimming.
- 2.17 Working Neighbourhoods Fund (WNF) the previous Government announced that the WNF would cease after 2010-11.
- 2.18 Council Tax – the Government has announced a freeze in Council Tax increases for 2011-12. A specific grant equivalent to a Council Tax increase of 2.5% will be receivable. From 2012-13 any proposed increase above the rate of inflation will be the subject of a local referendum.
- 2.19 Council Tax Benefit grant receivable will be reduced by 10%, £3.2m, from 2013-14.

### **3. GRANT NEGOTIATIONS**

- 3.1. Consultation on a range of options potentially affecting the Revenue Support Grant distribution closed on 6 October 2010. The Wirral response to the consultation was reported to Cabinet on 14 October 2010. Consultation also took place on a number of specific grants.
- 3.2. HM Treasury presented the Spending Review on 20 October 2010. The Department for Communities and Local Government (DCLG) indicated a reduction in Government Grants equal to 7.1% per annum for 2011-15. Subsequently the DCLG has indicated that the reduction may be front loaded to up to 16% in 2011-12, The projection in the Appendix assumes the straight line grant reduction.
- 3.3. The provisional settlement will include a significant transfer of specific grants into Revenue Support Grant.
- 3.4. The Government has commenced reviews of public sector pensions and welfare benefits, and has announced a review of Local Government Finance to commence in January 2011. The Government has also announced that Council Tax Revaluation will be postponed until after 2015.

- 3.5. The interim report of the Independent Public Service Pensions Commission was issued on 7 October 2010 in time for the DCLG to incorporate elements into the Spending Review and the provisional Local Government Finance Settlement. The final report is due for publication by March 2011.
- 3.6. 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 2009 estimated populations. The reduction for Wirral since the census 2001 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 the minimum recommended 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. The Government has now abolished the efficiency target.

5.2. Revised governance and programme management arrangements for the change programme were reported to Cabinet on 22 July 2010.

5.3. Cabinet has to date agreed a number of efficiencies:-

- a. Cabinet agreed that £1m will be saved from office accommodation from 2011. This now forms a project within the change programme.
- 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. This project now forms part of the change programme.
- 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 which is included in the change programme.
- g. Cabinet on 25 November 2010 agreed the Insurance Fund Budget for 2011-12 with a reduced requirement of £0.6m.

## **6. FINANCIAL IMPLICATIONS**

- 6.1. The assumptions outlined above are reflected in the budget projections in the Appendix.
- 6.2. The projected shortfall for 2011-12 is £33.6m and the total projected shortfall for 2011-15 is £116.8m.

## **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  
Formula Grant Distribution – DCLG – July 2010  
Independent Public Service Pensions Commission Interim Report – October 2010  
Spending Review - HM Treasury - October 2010

15. **RECOMMENDATION**

- 15.1. That the budget projections be updated on receipt of the provisional Local Government Finance Settlement.

IAN COLEMAN  
DIRECTOR OF FINANCE.

FNCE/207/10

## WIRRAL COUNCIL

## BUDGET PROJECTIONS 2011-2015

	2011-12 £M	2012-13 £M	2013-14 £M	2014-15 £M
Base Budget	330.8	304.5	292.5	281.5
Increased Requirements				
Pay Inflation	1.0	1.0	3.5	3.5
Price Inflation	4.2	4.2	4.2	4.2
Capital Financing	2.0	2.0	2.0	2.0
Pension Fund	2.2	2.0	2.0	2.5
Waste Disposal	1.4	1.5	1.6	1.7
Merseytravel	1.0	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	-	-	-
Carbon Reduction Commitment	1.0	-	-	-
Council Tax Benefit	-	-	3.2	-
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>351.6</u>	<u>321.5</u>	<u>315.4</u>	<u>301.8</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	-1.0	-0.7	-0.3	-
Working Neighbourhoods Fund	<u>- 9.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	338.1	317.5	311.8	298.4
Resources				
Grants	170.0	158.0	147.0	136.0
Council Tax Grant	3.3	3.3	3.3	3.3
Council Tax	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>	<u>131.2</u>
Forecast Resources	304.5	292.5	281.5	270.5
Shortfall	33.6	25.0	30.3	27.9