

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT	BUDGET PROJECTIONS 2012-15
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR SIMON MOUNTNEY
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 Following the agreement of the budget for 2011-12 at the Council meeting on 1 March 2011, this report presents the projected budget for 2012-15. It was agreed by the Cabinet on 17 March 2011.

2.0 RECOMMENDATION

2.1 That the budget projections be regularly reviewed.

3.0 REASON FOR RECOMMENDATION

3.1 Regular reporting of the projected financial prospects is a requirement of good corporate and financial planning.

4.0 BACKGROUND AND KEY ISSUES

4.1 Assumptions Underpinning the Projections

- a) Inflation - Provision is made for price inflation of 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 2012-13 and are assumed to increase by 2% per year from 2013.
- b) Capital Financing - Cabinet on 21 February 2011 agreed a capital programme at an increased revenue cost of £1.9m in 2012-13.
- c) Pension Fund - the increase arising from the actuarial valuation including the impact of the outsourcing of the highways and engineering services contract will increase the contribution by £0.3m in 2012-13 and by £0.3m in 2013-14.
- d) Waste Disposal - Landfill Tax is increasing by £8 per ton per annum, an increase of 50% between 2010-11 and 2014-15. The levy is assumed to increase by £1.5m per year from 2013.
- e) Merseytravel - the levy is to increase in 2011-12 by £1.6m, the element of the grant receivable for concessionary travel. From 2013 it is assumed to increase by £1m per year.

- f) Schools - it is assumed that the Schools Budget will vary in line with the Dedicated Schools grant.
- g) 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.
- h) Other Unavoidable Growth - a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.

4.2 Grant Negotiations

- 4.2.1 The Local Government Finance Settlement for 2011-12 incorporated a provisional settlement for 2012-13. The Formula Grant will be reduced by £14m.
- 4.2.2 The Spending Review 2011-15 incorporated four year projections for local government expenditure. However the Finance Settlement only provided figures for 2011-13. Figures for 2013-15 will be subject to the outcome of a Local Government Resources Review to be concluded by July 2011. Clearly this will have a major impact on the budget projections for 2013-15 included in the appendix.

4.3 Other Legislative Issues

- 4.3.1 Independent Public Service Pensions Commission - Due to report in March 2011.
- 4.3.2 Welfare Reform Bill – Implementation of Universal Credit due to commence in 2013.
- 4.3.3 Localism Bill - Will require a local referendum if a proposed Council Tax increase is considered to be excessive from 2012-13.
- 4.3.4 Council Tax Revaluation - This has been deferred until after 2015.
- 4.3.5 **Census** - 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 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.

4.4 Balances

- 4.4.1 The budget for 2011-12 includes balances of £14m.
- 4.4.2 The final phase of the Early Voluntary Retirement/Voluntary Severance Scheme covering those staff due to depart in early 2011-12 is projected to utilise £4.4m of the balances.

4.4.3. The budget for 2011-12 will utilise £2.8m of the balances to fund one-off expenditure.

4.4.4. Therefore the balances are projected to be £6.8m at 31 March 2012.

4.5. **Savings**

4.5.1. Cabinet has previously agreed to the following savings:-

	2012-13	2013-14	2014-15
	£000	£000	£000
Human Resources IT System	474	100	20
Integrated Transport	340	250	
Family Group Conferencing	130		
IT Services	400	400	400
Benefits	<u>1,200</u>	<u></u>	<u></u>
	2544	750	420

4.5.2. The full year effect of the Early Voluntary Retirement/Voluntary Severance scheme savings totalling £24m will be achieved in 2012/13. This will increase to £27m after the cost of the pensions have been met.

5.0 **RELEVANT RISKS**

5.1 Any projections carry risks. For 2012-13 the Government has indicated the provisional Formula Grant and so the risks are primarily with the expenditure projections which will be influenced by changes to Government policies, inflation, and delivery against budgets in 2011-12.

5.2 For 2013-15 the Government proposes significant changes to the grant distribution system which could cause major changes to these projections.

6.0 **OTHER OPTIONS CONSIDERED**

6.1 All of these projections represent my assumptions of the most likely outcome from a wide range of available options.

7.0 **CONSULTATION**

7.1 The Government is consulting on a number of issues which will impact on the budget projections. I respond to all consultation exercises to try to ensure the best outcome for Wirral.

8.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 There are no direct implications arising from this report.

9.0 **RESOURCE IMPLICATIONS – FINANCIAL**

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

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/69/11

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APPENDICES

Budget Projections 2012-15

REFERENCE MATERIAL

Budget - HM Treasury - March 2010 and June 2010
Independent Public Service Pensions Commission Interim Report - October 2010
Spending Review - HM Treasury - October 2010
Medium Term Financial Strategy 2011-14 - November 2010
Local Government Finance Settlement 2011-13 - DCLG - January 2011
Council Budget 2011-12 - March 2011

SUBJECT HISTORY

Council Meeting	Date
Cabinet	17 March 2011
Budget Cabinet	21 February 2011
Cabinet	13 January 2011
Cabinet	9 December 2010
Cabinet	25 November 2010
Cabinet	4 November 2010
Cabinet	14 October 2010
Cabinet	23 September 2010
Cabinet	2 September 2010
Cabinet	22 July 2010

**Wirral Council
Budget Projections 2012-15**

	2012-13	2013-14	2014-15
	£m	£m	£m
Base Budget	293.9	279.5	265.7
Increased Requirements			
Pay Inflation	1.0	3.5	3.5
Price Inflation	4.2	4.2	4.2
Capital Financing	1.9	2.0	2.0
Pension Fund	0.3	0.3	2.5
Waste Disposal	-	1.5	1.5
Merseytravel	-	1.0	1.0
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
	304.3	295.0	283.4
Reduced Requirements			
Income Inflation	-1.0	-1.0	-1.0
Savings Agreed	<u>-2.5</u>	<u>-0.7</u>	<u>-0.4</u>
	300.8	293.3	282.0
Resources			
Formula Grant	144.8	131.0	117.0
Council Tax Grant	3.3	3.3	3.3
Council Tax	131.4	131.4	131.4
Forecast Resources	279.5	265.7	251.7
Shortfall	21.3	27.6	30.3