

# WIRRAL COUNCIL

## AUDIT & RISK MANAGEMENT COMMITTEE

28 SEPTEMBER 2011

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| <b>SUBJECT</b>                      | <b>BUDGET PROJECTIONS 2012-15</b> |
| <b>WARD/S AFFECTED</b>              | <b>ALL</b>                        |
| <b>REPORT OF</b>                    | <b>DIRECTOR OF FINANCE</b>        |
| <b>RESPONSIBLE PORTFOLIO HOLDER</b> | <b>COUNCILLOR STEVE FOULKES</b>   |
| <b>KEY DECISION</b>                 | <b>YES</b>                        |

### 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 budgets for 2012-15. It was presented to the Cabinet on 1 September 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 annum 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. The revaluation scheduled for March 2013 will be implemented from 2014.
- d) National Insurance – Employers NI changes will cost an additional £1m.
- e) 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 annum from 2013.
- f) Merseytravel - From 2013 the levy is assumed to increase by £1m per annum.

- g) Schools - it is assumed that the Schools Budget will vary in line with the Dedicated Schools grant.
- h) Academies – the Department for Education will reduce the budget by a further £0.9m in 2012-13 to fund academies.
- i) Neighbourhood Management – Cabinet on 2 June 2011 agreed to increase the budget by £0.4m to be funded by the Local Services Support Grant.
- j) Home to School Transport – Cabinet on 2 June 2011 agreed to increase the budget by £0.2m to be funded by the Local Services Support Grant.
- k) Integrated Transport – Cabinet on 23 June 2011 agreed to increase the budget by £0.3m.
- l) Housing – Cabinet on 21 July 2011 agreed to increased housing expenditure of £0.3m to equal the New Homes Bonus.
- m) Adult Social Services Re-provision - £3.5m identified as part of budget preparation.
- n) 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.
- o) 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, in which 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 the Local Government Resource Review (LGRR). Clearly this will have a major impact on the budget projections for 2013-15 included in the appendix. The Terms of Reference for phase I of the LGRR were reported to Cabinet on 14 April 2011. A consultation paper on phase I, localisation of business rates, is reported elsewhere on this agenda, as is a report on phase II, community budgets. Subsequent phases will be reported to Cabinet as they are released.
- 4.2.3 The Government has announced a new general grant, the Local Services Support Grant of £1.2m. This absorbs a number of previous specific grants totalling £0.5m and was reported to Cabinet on 2 June 2011.
- 4.2.4 The New Homes Bonus of £0.3m has also been released as a general grant which was reported to Cabinet on 2 June 2011.

### 4.3 **Other Legislative Issues**

- 4.3.1 Independent Public Service Pensions Commission – Final recommendations issued on 10 March 2011. The detailed Government response is expected in Autumn.
- 4.3.2 Welfare Reform Bill – Implementation of Universal Credit and a Local Council Tax Benefit System due to commence in 2013. The Local Council Tax Benefit System will result in a reduction of grant of £3.2m.
- 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 (ONS) 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. The ONS has confirmed that the analysis of the Census data should be completed for incorporation into the Finance Settlement for 2013-14.

### 4.4 **Balances**

- 4.4.1 The budget for 2011-12 includes balances of £14.1m.
- 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. HM Treasury has announced two increases to National Insurance which will cost an additional £1m.
- 4.4.5. Cabinet on 17 March 2011 agreed to reinstate the budget for Fernleigh for 2011-12 at a cost of £0.5m.
- 4.4.6. Cabinet on 2 June 2011 received details of the Local Services Support Grant and the New Homes Bonus.
- 4.4.7. Cabinet on 23 June 2011 agreed that integrated transport would not deliver the previously agreed savings but would instead cost an additional £0.3m.
- 4.4.8. Closure of the Accounts for 2010-11 which was reported to Cabinet on 23 June 2011 resulted in a net overspending of £3.3m.
- 4.4.9. The Insurance Fund Annual Report presented to Cabinet on 23 June 2011 transferred £0.9m to balances.

- 4.4.10. The Treasury Management Annual Report presented to Cabinet on 23 June 2011 transferred £3.0m to balances.
- 4.4.11. Cabinet on 23 June 2011 agreed to transfer the Connexions Pension Reserve of £4.7m to General Fund balances.
- 4.4.12. This had originally been identified to meet reprovision costs of £3.5m in Adult Social Services in 2011-12.
- 4.4.13. Cabinet on 21 July 2011 agreed to allocate an amount equal to the New Homes Bonus for housing expenditure.
- 4.4.14. Therefore the projected balances are as follows:-

|                                   | £m          |
|-----------------------------------|-------------|
| Budgeted opening balance          | 14.1        |
| Overspending 2010-11              | -3.3        |
| Insurance Fund                    | 0.9         |
| Treasury Management               | 3.0         |
| Connexions Pension Reserve        | 4.7         |
| Adult Social Services Reprovision | -3.5        |
| EVR/VS                            | -4.4        |
| Policy Options 2011-12 only       | -2.8        |
| National Insurance                | -1.0        |
| Fernleigh                         | -0.5        |
| Local Services Support Grant      | 0.5         |
| Integrated Transport              | <u>-0.3</u> |
| Projected Balance                 | 7.4         |

- 4.4.15. The minimum recommended balances are £6.0m.

#### 4.5. **Savings**

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

|                           | 2012-13    | 2013-14    | 2014-15    |
|---------------------------|------------|------------|------------|
|                           | £000       | £000       | £000       |
| Human Resources IT System | 474        | 100        | 20         |
| Family Group Conferencing | 130        |            |            |
| IT Services               | 400        | 400        | 400        |
| Benefits                  | 1,200      |            |            |
| Printing Services         | <u>250</u> |            |            |
|                           | 2,454      | <u>500</u> | <u>420</u> |

- 4.5.2. In addition to the savings agreed by Cabinet the Strategic Change Programme Board has agreed to the following additional savings for 2012-13:-

|                        | £000       |
|------------------------|------------|
| Looked After Children  | 670        |
| Disposal of Assets     | 310        |
| Office Rationalisation | 123        |
| Street Lighting        | 100        |
| DASS Market Management | <u>847</u> |
|                        | 2,050      |

4.5.3. 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 additional cost of the pensions has been met in 2017.

## 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 will be consulting on a number of issues which will impact on the budget projections. I will 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/204/11

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### **APPENDICES**

Budget Projections 2012-15

### **REFERENCE MATERIAL**

Budget - HM Treasury - March 2011  
Independent Public Service Pensions Commission Report - March 2011  
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**

| <b>Council Meeting</b>                                  | <b>Date</b> |
|---------------------------------------------------------|-------------|
| This report is revised for each meeting of the Cabinet. |             |

**Wirral Council  
Budget Projections 2012-15**

|                              | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> |
|------------------------------|----------------|----------------|----------------|
|                              | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| Base Budget                  | 294.8          | 281.0          | 267.2          |
| 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            |
| National Insurance           | 1.0            | -              | -              |
| Academies                    | 0.9            | -              | -              |
| Waste Disposal               | -              | 1.5            | 1.5            |
| Merseytravel                 | -              | 1.0            | 1.0            |
| Neighbourhood Management     | 0.4            | -              | -              |
| Home to School Transport     | 0.2            | -              | -              |
| Integrated Transport         | 0.3            | -              | -              |
| Housing                      | 0.3            | -              | -              |
| DASS Reprovision             | 3.5            | -              | -              |
| Council Tax Benefit          | -              | 3.2            | -              |
| Other Unavoidable Growth     | 1.0            | 1.0            | 1.0            |
| Efficiency Investment        | <u>2.0</u>     | <u>2.0</u>     | <u>2.0</u>     |
|                              | 311.8          | 299.7          | 284.9          |
| Reduced Requirements         |                |                |                |
| Income Inflation             | -1.0           | -1.0           | -1.0           |
| Savings Agreed               | - 2.5          | -0.5           | -0.4           |
| Additional Savings           | <u>- 2.0</u>   | <u>-</u>       | <u>-</u>       |
|                              | 306.3          | 298.2          | 283.5          |
| Resources                    |                |                |                |
| Formula Grant                | 144.8          | 131.0          | 117.0          |
| Council Tax Grant            | 3.3            | 3.3            | 3.3            |
| Local Services Support Grant | 1.2            | 1.2            | 1.2            |
| New Homes Bonus              | 0.3            | 0.3            | 0.3            |
| Council Tax                  | <u>131.4</u>   | <u>131.4</u>   | <u>131.4</u>   |
| Forecast Resources           | 281.0          | 267.2          | 253.2          |
| Shortfall                    | 25.3           | 31.0           | 30.3           |