

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

27 SEPTEMBER 2011

SUBJECT	COUNCIL EXCELLENCE KEY ISSUES
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES COUNCILLOR ADRIAN JONES COUNCILLOR JEAN STAPLETON
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 As part of the 2012/13 Budget Consultation process Cabinet are asking Overview and Scrutiny Committees to consider the functions within their portfolio and offer suggestions as to how to close the estimated £25 million budget gap and limit any Council Tax increase in 2012/13.
- 1.2 This report has been coordinated by the Director of Finance and includes the services within the departments of Finance and Law, HR and Asset Management, and services which provide the Council's Corporate and Community Planning, Consultation, Engagement and Communications functions.
- 1.3 The responses will be considered along with the responses from the other engagement processes to inform the budget setting process. Further consultation will be undertaken regarding any specific service changes.

2.0 RECOMMENDATION

- 2.1 That the views of Committee are requested.

3.0 REASON FOR RECOMMENDATION

- 3.1 Cabinet has requested the views of Overview and Scrutiny Committees to inform the 2012/13 Budget Consultation process.

4.0 BACKGROUND AND KEY ISSUES

Financial projections for the Council

- 4.1 Cabinet is regularly updated on the financial position of the Council and the latest Budget Projections report was considered on 1 September 2011. The shortfall between likely spend and likely resources is £25 million for 2012/13 with shortfalls of £31 million and £30 million identified for 2013/14 and 2014/15 respectively. The budget projections report is included elsewhere on this agenda.
- 4.2 The Government is presently considering options for the future funding of local authorities. The level of any Government Grant support will be affected by population numbers. This could result in further reductions in available

resources to the Council. The Leader of the Council has requested Members and employees to consider carefully what is included in budgets and to let him have any suggestions for making savings.

4.3. This report outlines the challenges facing the Council in the provision of the following services for which the Finance Department is responsible.

a. Financial Services

- i. This is a relatively low cost service compared to other local authorities. Pressure on the service increases as the financial position of the Council deteriorates. This is reflected in the increasing difficulty of setting a balanced budget; the increased monitoring required to maintain the budget during the year; and the increasing complexity of preparing the Accounts under International Financial Reporting Standards.
- ii. In addition the need to respond to an increasing number of consultation papers which have financial implications for the Council, most of which are adverse, and the need to engage in negotiations on the introduction of a new local government finance system from 2013, both place a burden on the senior management of the service.
- iii. The Medium Term Financial Strategy and the Capital Strategy are scheduled to be presented to Cabinet on 22 September 2011.

b. Treasury Management

The increasing cost of borrowing money from the Government and the continuing low market interest rates combine to make it difficult to deliver the levels of investment income previously achieved.

c. Insurance and Risk Management

The Council incurs relatively low insurance costs due to the operation of an Insurance Fund and to an effective risk management strategy. The challenge is to retain this effectiveness in a situation where reducing resources is likely to incur greater risks. The Risk Management Strategy is scheduled to be presented to Cabinet on 22 September 2011.

d. Internal Audit

Again, reducing resources is likely to increase the risk of fraud. A review and restructure of Internal Audit is being undertaken.

e. Pension Fund

- i. This is a shared service providing a pension service to over 120 employers. There are two major consultation exercises currently underway: into a proposed increase in employee contributions from 2012; and into the recommendations of the Independent Review of Public Service Pensions chaired by Lord Hutton of Furness which are due to be implemented in 2015.

- ii. Other significant challenges currently facing the service include the auto enrolment of employees into the Pension Fund probably from October 2012; the admittance of Academies as new employers; and investment returns in a volatile global economy.

f. Procurement and Payments

This service is delivering savings of £2.7m in 2011-12 and a review of possible savings for 2012-13 will be presented to the Cabinet in the autumn. The challenge is to continue to deliver savings at the historic rate of £2m per annum. The Procurement Strategy is scheduled to be presented to Cabinet on 22 September 2011.

g. Information Services

An external review of the electronic records management system, documentum, was reported to Cabinet on 23 June 2011. Further investment will be undertaken to deliver greater savings in future.

h. Tax Compliance

External consultants completed work in 2009-10 to recover over £3m of VAT from HMRC. Another firm of consultants is currently seeking to recovery with-holding tax from a number of tax authorities throughout Europe and have recently embarked on a similar task in the USA.

i. IT Services

IT Services was subject to an external review in 2010 which was reported to Cabinet on 14 October 2010. Costs are being reduced by 20% (£1.7m) over four years commencing 2011-12. Continuous investment in IT is necessary to enable the delivery of savings throughout the Authority. The IT Strategy is scheduled to be presented to Cabinet on 22 September 2011.

j. Revenues

This service unit was created in July 2011 from a merger of Council Tax and Income Services. The challenge is to deliver savings of £400,000 as agreed by Cabinet on 17 March 2011 from the unified service. The Government is currently consulting on the localisation of Business Rates.

k. Housing and Council Tax Benefits

- i. This is the most expensive service operated by the Department, but it is operated at a low unit cost compared to other local authorities. The number of claimants now exceeds 42,300 and is continuing to increase.
- ii. A lean review of the service has been undertaken with the Performance Development Team of the Department for Work and Pensions (DWP) with the aim of delivering savings of £2.4m, £1.2m of which has been taken as a saving in 2011-12.

- iii. The Government is currently consulting on the Localisation of Council Tax Benefit from 2013 which will include a reduction in DWP subsidy of 10% (£3.2m).
- iv. The Welfare Reform Bill provides for the introduction of Universal Credit from 2013 which will result in a reallocation of responsibilities between the DWP and the Council between 2013 and 2017. The greatest impact will be the transfer of responsibility for Housing Benefit to the DWP.

I. Libraries and One Stop Shops

These two services are being merged to save £1.7m. The merger programme includes the introduction of new technology into libraries and the co-location of services which will require capital expenditure. There are no proposals to close any facilities

m. Call Centre

The Customer Access Strategy is scheduled to be presented to Cabinet on 22 September 2011. An external review of the Customer Relationship Management (CRM) System was reported to Cabinet on 23 June 2011. Further investment will be undertaken to deliver greater savings in future.

4.4 This report also outlines the challenges facing the Council in the provision of the following services for which the Department of Law, HR and Asset Management is responsible.

This Department has an approved gross budget for 2011/12 of just under £28 million and, overall, is not predicted to overspend this approved sum. The Department consists of four divisions: Legal and Member Services (gross budget £5.3 million); Human Resources and Organisational Development (gross budget £2.9 million); Asset Management (gross budget £14.0 million); and Regulation (gross budget £5.8 million). The budget for Regulation will be discussed at a special meeting of the Sustainable Communities overview and Scrutiny Committee on 12 October 2011. This report sets out budgetary issues relating to the remainder of the Directorate.

a. Legal and Member Services

Expenditure on this service is predicted not to exceed the approved budget.

There is one potentially volatile budget area. This is the Coroner Service. The current budgetary position of the Coroner Service is that the service is currently within projected financial targets. However, it is very difficult to predict accurately the likely annual cost of the service. There are a number of factors that can have profound affects upon the demands placed upon the service. For example, a harsh winter, an epidemic, or the number of Inquests held by the Coroner, are all material factors. Fluctuations in demand (if upwards) will increase the costs of the service. Whilst careful consideration was given to ensuring that a realistic budget for the service was allocated for 2011/12, it will not be until March 2012 that a more certain assessment can be made as to whether the allocated budget for is adequate.

b. Human Resources and Organisational Development

Expenditure on this service is predicted not to exceed the approved budget.

c. Asset Management

There are two areas of concern: Industrial Estate Income and, in 2012/13 onwards, the Design Consultancy.

Industrial estate income

Industrial Estate Income is showing an estimated shortfall in net income (after expenditure) of £50k. However, this shortfall can be contained within the overall approved 2011/12 budget for the service.

The Council's income from its industrial property portfolio has fallen against the background of the economic downturn. Enquiries for industrial units have dropped markedly over the last twelve months and any interest has been for units of a larger size than the Council has available. Any units that are let are achieving rental levels lower than previously, which in turn prevents rent increases for existing tenants when rent reviews or lease renewals are due.

It is anticipated that the market will remain relatively flat over the next two years. There will however, be additional expenditure due to the levy, on void units, of empty rates and standing charges from utilities of £41,400 in the current financial year that has not been budgeted for.

Until 2011/12, the budgeted income figures have been subject to increase over the years to allow for inflation and now, in many cases, bear little relation to the income receivable. A review of investment estate income is now under way to produce a more accurate forecast for 2012/13. Historically, a shortfall of actual income against the budgeted figures has been managed by containing expenditure. However, for 2011/12 it is not expected that this will be sustainable. The shortfall in net income (after expenditure) at this stage is estimated at £50k. However, as indicated, this shortfall can be contained within the overall approved budget for the service

The Design Consultancy

The Design Consultancy within the Asset Management Division is funded by charging out fees for its professional services. To break even and cover costs it has to generate fee income of some £3.4 million. Whilst some fees are recovered from other sources - for example, working direct for schools, Wirral Partnership Homes, etc. - the main source of recharge is through the Capital Programme. Failure to meet the fee income target would result in the shortfall amount becoming a growth item. It is currently estimated that the target will be met for 2011/12.

With the Council's capital programme and externally funded capital schemes subject to review, the position for future years is unclear. It is

likely that current fee income levels will be unsustainable in 2012/13, but further work will be needed, together with greater clarity on the capital programme, before the likely level of income can be quantified. Initial indications are of a shortfall in the region of £120k, but further work is required to confirm this; including recalculation of support costs, following the transfer of the Design Consultancy to Asset Management from Technical Services.

- 4.5 This report also outlines the challenges facing the Council in the provision of Corporate and Community Planning, Consultation, Engagement and Communications Services. The overall Budget for these services is £2,437,300 and includes funding for activities delivered directly by the voluntary, community and faith sector, for example through Area Forum grants.

These service areas are responsible for:

- Devising, co-ordinating and delivering engagement, consultation and communication activity with local residents and community groups to identify local priorities and improvements to Council services;
- Identifying the Council's priorities and communicating these priorities both within the organisation and to our customers;
- Developing and monitoring business plans to deliver the Council's priorities;
- Meeting any statutory requirements the Council has to plan for its communities, for example in relation to child poverty;
- Delivering the Council's statutory duties in relation to equality and diversity and supporting Council services to ensure that the diverse needs of customers are taken into account;
- Administering a number of grants to the voluntary, community and faith sector and monitoring these grants to ensure that activities are being delivered effectively;
- Designing and delivering all promotion and marketing campaigns which raise awareness of Council services and activity. These campaigns can be shown to directly increase the use of facilities and raise income for the Council.

These service areas work closely with partners to make sure that there is a shared vision for the local area and that the Council meets its statutory requirements for planning for the future of Wirral's communities and to eliminate child poverty.

The work of these service areas includes communicating the improvements that the Council is delivering and ensuring that local residents are informed of Council services including any changes in the way these are delivered and receive critical information about what may be happening in the local area.

To ensure that the Council is monitoring its plans and performance effectively, these service areas also provide local councillors with the information they need to make decisions about improving performance and tackling problems.

Current work priorities include working with partners and communities to develop Neighbourhood Plans for each area and a Child Poverty Strategy for Wirral – these will help shape and improve services across Wirral and inform the Council's priorities for the coming years.

The team is also developing improved performance management arrangements to support the delivery of existing and future plans.

The team leads on the Council's area forums, one of the key engagement mechanisms that the Council uses to engage with residents. The service also administers area forum funding including grants to voluntary, community and faith groups for activities that will have a positive impact in Wirral's communities and funding provided for additional Council services or improvements. Neighbourhood plans are currently being developed for each forum area to develop a vision for the community and identify local priorities within the area.

This better understanding of local residents needs is important in the current financial context to ensure that the services that the Council delivers accurately reflect the real challenges and issues within Wirral's communities. The neighbourhood plans will robustly influence the way the Council invests resources and delivers services in a local area, how people can access these services close to where they live and the future distribution of forum funding to help local communities achieve real and positive changes in their area.

The team is leading on a full consultation programme to cover all parts of the borough to enable a comprehensive approach to ensure that the consultation is fully inclusive to enable the Neighbourhood Plans to represent all communities. Focus groups are also being held with voluntary, community and faith groups and the results will be fed back to communities in a series of events in October with draft neighbourhood plans in place by December 2011.

The team is also leading on a schedule of over 100 engagement events to raise awareness of the Council's budget simulator. Additional targeted engagement will be completed within identified 'hard to reach' demographic groups and geographic areas. This will involve events and outreach activity with older people, BME communities, vulnerable adults and younger people. Additional events will also be scheduled in those areas with lower levels of home-internet access.

Wirral's voluntary, community and faith (VCF) sector plays an important role in identifying local needs and supporting communities, as well as developing new projects and services. These organisations operate very close to the communities they serve and are able to respond quickly to changes in society and emerging problems.

The team manages a number of key grants for the provision of an infrastructure support service to promote and develop the effectiveness of voluntary and community action in Wirral and the provision of an advice service to people in need across Wirral. These services help local organisations to develop and to successfully deliver projects and activities that have a positive impact and outcomes that benefit communities across Wirral and deliver positive outcomes for disadvantaged people needing support with benefits, debt, employment and housing issues.

At its meeting on June 23rd, Cabinet agreed to review these grants on a commissioning basis to ensure that activities Wirral continue to be linked to outcomes for local people and organisations. This review is underway and is being informed by the needs of the VCF sector and target groups to ensure

that Council funding is utilised effectively and with the greatest possible impact.

5.0 RELEVANT RISKS

5.1 The Council is required to deliver a balanced budget and as a minimum, continue to deliver statutory services.

6.0 OTHER OPTIONS CONSIDERED

6.1 The Cabinet will have to consider many options before proposing a budget for 2012-13.

7.0 CONSULTATION

7.1 Consideration by the Overview and Scrutiny Committee is one of the means which is being used to inform the setting of the 2012/13 Council Budget.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 None arising directly from this report.

9.0 RESOURCE IMPLICATIONS

9.1 Finance Department

a) Financial. The budgets for 2011-12 for these services, excluding all recharges are:

	Direct Costs £000	External Income £000
Financial Services	1,653	-
Insurance & Risk Management	143	-
Internal Audit	748	-
Pension Fund	13,558	76
Procurement & Payments	993	113
Information Services	233	10
Tax Compliance	532	98
IT Services	11,393	493
Revenues	3,798	1,296
Housing & Council Tax Benefits	168,187	162,792
Libraries and One Stop Shops	8,190	614
Call Centre	1,903	23

The Insurance and Risk Management Team is recharged to the Insurance Fund, and the Pension Fund is recharged to all employers who are members of the Fund.

b) Staffing. Any changes to the budgets or to service provision will have staffing implications.

- c) IT. IT Services is one of the services operated by the Finance Department and therefore any changes to the budget will impact on service delivery.
- d) Assets. Services are provided from the Treasury Building and Municipal Building in Birkenhead, Castle Chambers in Liverpool and numerous Libraries and One Stop Shops.

9.2 Department of Law, HR and Asset Management

- a) Financial. The gross budgets for 2011-12 for these services, excluding all support costs and capital charges are set out in the table below.

Cost Centre	Gross Budget (£000)
Legal and Member Services	
AA304 – Legal and Democratic	4,642
AA300 – Central Services	623
Total	5,264
Human Resources	
AA303 - Human Resources	2,948
Asset Management	
Asset Management	13,976

- b) Assets. Services are primarily provided from the Wallasey Town Hall Complex, Birkenhead Town Hall (Registrars Service) and Cheshire Lines (Asset Management).

9.3 Corporate and Community Planning, Consultation, Engagement and Communications Services.

Any reduction to funding in these services would impact on the Council's ability to effectively engage, consult and communicate with residents to plan its services and put in place actions which respond to people's needs and local priorities, for example through the Council's Neighbourhood Plans. Moreover, the Council would be unable to fulfil its statutory obligations including the Council's requirement to work with others to improve Wirral's communities and eliminate child poverty.

Reductions in funding would also significantly reduce the Council's ability to identify and working with departments and partners to resolve problems in delivering its services and to identify issues in relation to equality and diversity.

Reductions in funding would also mean a high risk that the Council will fail to effectively communicate vital information to local residents and Council employees, including in the event of an emergency.

A reduction in funding will also present a high risk that the Council will fail to effectively advertise and communicate critical services and activity which have a positive impact on people's lives, for example raising awareness in communities to protect vulnerable residents and promoting foster caring to increase the number of carers that the Council recruits. Failure to do so would lead to increased costs to other parts of the Council.

A significant amount of this service's budget includes grants available to voluntary, community and faith groups and any reduction in funding would have a negative impact in the funding available for these groups to run projects and activities that have a positive impact in Wirral's communities. Funding is also provided for additional council services and improvements and any reduction in funding would also impact on the Council's ability to deliver these additional services and improvements in each of Wirral's forum areas.

Reductions in public spending are already having a direct impact on the VCF sector, leading to increased competition for the limited funds available through for example charitable trust sources. The support needs of VCF organisations are increasing as many groups find themselves struggling to maintain levels of service. The impact of time limited funding ceasing may also mean increased pressure on the Council to deliver services directly to the sector with a potential impact on the level of positive activities to residents and local communities.

10.0 LEGAL IMPLICATIONS

10.1 It will be necessary to maintain statutory service delivery.

11.0 EQUALITIES IMPLICATIONS

11.1 None arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None arising directly from this report.

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APPENDIX

REFERENCE MATERIAL

SUBJECT HISTORY

Council Meeting	Date
The Budget Projections report is presented to each meeting of the Cabinet.	