



## WIRRAL COUNCIL

# MEDIUM TERM FINANCIAL STRATEGY

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**CABINET  
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## **1.0 EXECUTIVE SUMMARY**

### **1.1 Introduction**

- 1.1.1 Wirral Council is committed to providing services that meet the needs and aspirations of the people of Wirral. The creation of an environment where employers choose to invest, where people wish to live and where the vulnerable are looked after and feel safe is key to our success. The vision is set out in Sustainable Community Strategy and reflected in the Corporate Plan.
- 1.1.2 The Corporate Plan is supported by a series of longer term goals and annual priorities and targets 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 environment and informs the way in which the Council works with its partners who share many of these aims.
- 1.1.3 Budget consultation also plays a significant role in shaping future priorities and the delivery of services. Given the financial pressures within the public sector consultation and involvement with stakeholders including residents, customers, community groups, businesses and employees will be important for the future development and operation of council services.
- 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, directing resources towards priority areas and keeping Council Tax affordable as evidenced by the recent freeze in Council Tax.

### **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 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 Period**

1.3.1 The Strategy covers the period up to 31 March 2015 aligning the Strategy with both the period covered by the Chancellor of Exchequer's 2011 budget and the intended Spending Review period. Whilst the Strategy will be valid until 2015 it will be annually reviewed to ensure it remains relevant. The main changes reflect the economic projections from the Chancellor and the updated Corporate Plan agreed in March 2011. 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**

2.1.1 The general global economic outlook remains poor and will impact upon the national economy with the high level of public debt and low interest rates 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. The Coalition Government has implemented measures to tackle the economic situation and the structural deficit with financial consequences for all local authorities including:-

- Reductions in future government grant settlements.
- Increases in demand for services particularly relating to welfare support with additional demands to provide new services to deal with impacts of the recession on communities.
- Possible structural and resource changes linked to School Funding Reforms, Big Society and Localism initiatives
- Reduction in income from fees and charges and from the sale of assets.
- Reduction in 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 current economic situation and the Plan will be regularly updated and reported to Cabinet through the Budget Projections report.

### **2.2 Chancellor's Budget and Spending Review**

2.2.1 The Chancellor of the Exchequer published his Budget on 23 March 2011. The Budget contained a number of measures continuing the deficit reduction process. It also contained a number of economic forecasts:-

- The UK economy was forecast to grow by 1.7% in 2011, 2.5% in 2012, 2.9% in 2013 and 2.9% in 2014 and 2.8% in 2015. Inflation target remains unchanged at 2% although inflation is likely to be higher than this in the short term.

- The structural deficit will be eliminated by 2014/15. Public sector net borrowing forecast is £122 billion for 2011/12 reducing in later years to £29 billion in 2015/16.
- The percentage of total public sector debt against Gross Domestic Product (GDP) will increase from 66.1% in 2011/12 reaching 69.1% in 2015/16. A reduction in net annual borrowing from 11.1% of GDP in 2009/10 to 1.5% in 2015/16 will take place

2.2.2 To achieve the deficit reduction a series of spending reductions across the public sector were announced in the Emergency Budget and then expanded upon in the Spending Review 2010. Although some areas will be protected unprotected departments face a real term cut of at least 25% over 4 years.

2.2.3 The creation of a number of Local Enterprise Zones was announced in the budget and included Wirral Waters. Businesses occupying premises within Zones will benefit from significant tax concessions and supported IT investment. Local authorities will be able to retain growth in business rates within the Zone for 25 years.

## **2.3 Local Government Finance Settlement**

2.3.1 The Local Government Finance Settlement was announced on 31 January 2011 following the Spending Review 2010. The Spending Review provided headline figures of a reduction in Government Grant of approximately 30% over 4 years. The Finance Settlement only covered the 2 years 2011/13 and resulted in reductions in grant support to Wirral of £51 million in 2011/12 and a further £14 million in 2012/13. The finances for the remaining 2 years 2013/15 will be announced after the outcome of the Local Government Finance Review. Reviews of Public Sector Pensions and Welfare Benefits are also in progress.

2.3.2 The grant allocation presently comprises a series of elements based upon needs and resources. It is adjusted to ensure authorities receive a minimum level of increase each year and is available to support all Council services.

## **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 but 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 308,800 in mid-2010. 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.
- 3.1.4 The fastest falling population categories are the 24 years and under age group. 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 be known during the next 12 months and any reduction in population is likely to have a detrimental impact upon Government grant allocations for Wirral.

### **3.2 The Wirral priorities**

- 3.2.1 The approach to corporate planning integrates national and local priorities and was influenced by the outcomes of the Wirral's Future – Be A Part Of It consultation. The Corporate Plan objectives are grouped around four themes:-
- Your Family including a focus on Children and Young People and Adults.
  - Your Economy.
  - Your Neighbourhood.
  - Your Council.
- 3.2.3 The Corporate Plan is supported by a series of annual priorities and targets which are refreshed on an annual basis with the emphasis being to make the most of available resources, take advantage of opportunities open to the council and tackle the significant challenges facing the borough.
- 3.2.4 The shaping of future priorities and the delivery of services will also be influenced by future consultation. This consultation will involve 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 priority themes**

#### **3.3.1 Your Family: Adults**

Additional resources have been made available for Adult Services to provide quality, affordable services and to cope with increased demands. The availability of personal budgets offering improved client choice continues to be increased. Investment has been made in assistive technology to help support residents to live in their homes and additional resources have been made available to support adults with learning disabilities. However the demands from an ageing population for social care continue to increase and prove to be a challenge.

### 3.3.2 Your Family: Children and Young People

Sure Start and Children's Centres have received additional funding whilst funding has also been provided to partners to support targeted early intervention and raise the aspirations of disabled children. Children's care has been supported through promotion of fostering and improved care allowances, support for youth services and a priority of support for the improvement of academic achievement of vulnerable children and of those living in the most deprived areas. The continued major capital investment into schools covers both the maintained and Academy Programmes including significant investment at Pensby Primary School and the Birkenhead High Girls Academy.

### 3.3.3 Your Economy.

The Council has allocated revenue and capital resources to support the development of Wirral's competitiveness and to encourage investment and employment opportunities. This includes the Investment Strategy with substantial developments within the Wirral Waters/Docklands area and New Brighton and continued support for housing initiatives. The investment is complemented by the use of funding to support the Wirral Apprentice Programme, to support small businesses and social enterprise growth, environmental improvements and planned investment in super-fast fibre optic broadband to support the development of businesses.

### 3.3.4 Your Neighbourhood

Environmental improvements and community engagement and safety are key priorities. Additional resources have been allocated to the streetscene contract, street cleansing, recycling and dog fouling enforcement action. Actions over climate change and sustainability have resulted in significant planned capital investment in solar energy in council buildings and further investment has been set aside to continue the programme of domestic insulation. Additional funding for energy efficiency grants has been made available for community buildings and a carbon budget established. Further investment in Wirral's libraries has been secured and support for tackling the anti-social behaviour continued.

### 3.3.5 Your Council

Council Tax for 2011/12 was frozen at the 2010/11 level to benefit from the receipt of a grant made available from Government and this accorded with the commitment to providing quality services whilst keeping Council Tax affordable through the securing of value for money. Increased community involvement is being promoted through consultation and the formulation of a Neighbourhood Plan for each Area Forum. The Older and Younger Peoples Parliaments continue to be supported and inform policy development in their respective areas. The increased funding allocated to Area Forums allows local people to have a greater say over spending in their areas. One Stop Shop services continue to be developed and where appropriate their co-location with libraries will provide a wider range of services.

## **4.0 CAPITAL PLAN**

### **4.1 Introduction**

- 4.1.1 Over the past year the level of capital funding available to Local Authorities has reduced significantly. Major grant funding streams have been significantly reduced, including, those for Housing Market Renewal and Transport, whilst other previously specific grants have been unringfenced giving Local Authorities greater autonomy over the funding of capital projects but at a much reduced level. Authorities have the ability to augment capital funding under the Prudential Code whereby additional expenditure 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 Wirral Investment Strategy sees the Council and partners committed to the ambitious vision for Wirral of securing its economic future by attracting investment and creating sustainable employment opportunities for the people of the Borough. The Strategy aims to create an internationally competitive economy where local employers succeed and businesses choose to invest; an economy with high levels of private sector employment, which retains and attracts young people and provides the job opportunities for all Wirral residents to realise their full potential.
- 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 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 The largest area within the capital programme relates to the Children and Young People Department. Major projects include the £12 million rebuild/refurbishment of Birkenhead High School for Girls Academy, which is due for completion in October 2012, and the co-location of Pensby Primary and Stanley Special Schools costing £12.5 million, due for completion in 2013. Much of this work is supported by government grants.
- 4.2.3 Within Technical Services is the Local Transport Plan which details the programme in respect of maintaining local transport routes and improving community safety. The major scheme is the M53 Bidston Viaduct scheme which is funded primarily by Central Government with the Council making a contribution towards the costs.

4.2.4 Work on the Council's non-school buildings is driven by the Law, HR and Asset Management Department with the IT enhancements under the Finance Department. Improvements to Cultural Service Assets continue in line with the recommendations of the Cultural Services review carried out in 2009. This investment focused on improvements to Williamson Art Gallery and the redevelopment of Libraries, Leisure Centres and Parks. Investment will also be made to the Administrative buildings of the Council.

<b>PROGRAMME AT 30 JUNE 2011</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14*</b>
<b>SPEND</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Adult Social Services	2.9	0	0
Children & Young People	39.2	12.8	0
Corporate Services	10.8	9.6	1.3
Finance	3.7	1.0	1.0
Law, HR & Asset Management	8.8	4.8	3.0
Technical Services	11.5	5.3	0
<b>Total Programme</b>	<b>76.9</b>	<b>33.5</b>	<b>5.3</b>

Capital funding for 2013/14 onwards has yet to be agreed therefore a full capital programme has not yet been established.

### **4.3 Resources**

4.3.1 Under the Prudential Code the authority can borrow to fund capital expenditure up to the level that can be afforded. The Government had previously provided support for a certain level of new borrowing each year but this is no longer available. The Council sets Prudential Indicators within the Treasury Management Strategy which act as a gauge to ensure the Council's capital investment funded by borrowing is affordable, prudent and sustainable. Assumptions on the level of borrowing have been reflected in the Medium Term Financial Strategy and Plan.

4.3.2 The level of Government Grants has reduced from past years and many of the remaining grants are no longer ring fenced allowing the Council greater flexible over their use. The major grant funding streams remaining include, Department of Education grants for Maintained Schools and Academy building works, Department of Transport grants for the Local Transport Plan.

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.



<b>PROGRAMME AT 30 JUNE 2011</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14*</b>
<b>RESOURCES</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Borrowing	28.6	11.4	4.0
Capital receipts	3.0	3.0	0
Revenue, Reserves & Contributions	4.2	0.3	0
Grants	41.1	18.8	1.3
<b>Total Resources</b>	<b>76.9</b>	<b>33.5</b>	<b>5.3</b>

Capital funding for 2013/14 onwards has yet to be agreed therefore a full capital programme has not yet been established.

## **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 July 2011 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 covered the period 2011/12 to 2014/15 and will result in significantly reduced funding of approximately 30% 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 reductions in Government grants of £51 million in 2011/12. A further reduction of £14 million will take place in 2012/13. The reductions would have been higher under the Formula Grant allocation process but for the application of a damping mechanism to limit the level of loss to those worse affected authorities. In addition the decline in Wirral's population will also likely have implications for the level of future Government grant received.

- 5.2.3 Specific Grants. The Area Based Grant of £43 million in 2010/11 was largely allocated on a needs basis and has now ceased with some elements incorporated within other grants. The Dedicated Schools Grant used for the provision of schools will remain as the most significant specific grant. The pupil premium of which Wirral is currently receiving approximately £5m per annum is forecast to increase fourfold on a national basis by 2014-15.
- 5.2.4 The previous Government's centrally imposed annual 3-4% efficiency targets have been abolished. However the reduced level of central government funding and limitations on expected Council Tax increases will mean that local authorities must continue to identify and deliver substantial efficiencies.
- 5.2.5 The Government have announced a consultation exercise for a Local Government Resources Review. The main proposals revolve around incentives for authorities to assist in growing their local economies and to keep additional business rates raised. This may have adverse implications for authorities like Wirral with a relatively low business rate tax base and are currently net receivers from the national business rate pool.

### **5.3 Local Funding**

- 5.3.1 Council Tax presently provides the other main funding for Council services. The aim is to set Council Tax at affordable levels and within parameters laid down by Government. For 2011/12 the Government introduced a Council Tax Freeze Grant payable to authorities who did not increase their council tax and was set at a Council Tax increase of 2.5%. Authorities were warned that capping would take place for any authority increasing Council Tax by more than 3% and the Plan presently assumes there will be no Council Tax rises. The final position may vary depending upon any directions and or incentives from Central Government.
- 5.3.2 Opportunities for increasing income are being explored and charges for services 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 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 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 have been abolished and a £1 billion Regional Growth Fund established to encourage local authorities, businesses and communities to work together to provide economic growth. Local Enterprise Partnerships have been established along with Local Enterprise Zones (including Wirral Waters) offering significant tax concessions and investment opportunities to businesses. A New Homes Bonus funding stream provides 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. The Wirral Waters scheme continues to progress with planning applications proceeding for the initial stages of this major £4.5 billion investment including a proposed International Trade Centre. The regeneration of New Brighton using private sector investment is due for completion whilst 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 bids for Government funding, including the Lottery Fund.

### **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 which equates to a minimum of £6 million for 2011/12. The budget agreed for 2011/12 forecast higher balances of £6.9 million which was considered prudent given the financial challenges facing local authorities.

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 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 and 2% for all employees from 2013/14.

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 £1.5 million per year from 2013/14 and Landfill Tax is predicted to increase by £8 per tonne per year representing a 50% increase between 2010/11 and 2014/15. An increase in the Merseytravel levy of £1 million per year has also been assumed from 2013/14.

#### 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 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 with any decisions to be effective from April 2007. Whilst largely resolved in 2008 resources have been made available to meet on-going commitments and the final stages of the Job Evaluation process which is anticipated to be concluded shortly.

**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. Departmental plans are subject to 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 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.

#### 5.4.7 Pension Costs

An actuarial revaluation of the Pension Fund was completed in 2010 and resulted in increased costs for the authority (an equated contribution rate of 18.1% based on a 25 year deficit recovery plan compared to the previous employers rate of 17.8%) From April 2011 Wirral's employer pension rate consists of two separate elements, a fixed amount relating to back funding and a future service rate set at 12% of pensionable pay. The next revaluation due in March 2013 may result in further increased costs depending upon demographic and other factors and the outcome of the Government review of public sector pensions.

#### 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 theme issues**

#### 5.5.1 Your Family: Adults

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 and meeting the expected standards. The expansion of personal budgets continues with investment into assistive technology taking place. Personal budgets 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 helps individuals to remain in their home, achieve a better quality of life and reduce pressures on more expensive forms of care.

#### 5.5.2 Your Family: Children and 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 whilst the national distribution of the grant is currently being reviewed.

A number of initiatives are being implemented by the Government which 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 secondary 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.

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

### 5.5.3 Your Economy

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 £4.5 billion Wirral Waters scheme with plans for a major International Trade Centre were submitted in June 2011.

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 has ceased with the reduction in Government grant. Interventions to support housing continue on a smaller scale including support for private sector improvements, adaptations to provide disabled facilities and energy efficiency schemes

The development and support for small businesses is also a key objective for the council. Programmes being supported include the 'Wirral Business Angels' scheme, support for social enterprises and mutuals, measures to tackle empty shops and environmental improvements to local and district shopping areas.

Support to tackle worklessness including the Wirral Apprentice Programme continues with a particular focus on increasing job opportunities and helping secure the continuation of existing jobs. European Social Funding resources have been secured to help with these aims.

### 5.5.4 Your Neighbourhood

Government targets have previously been set for 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. The levy is anticipated to increase by £1.5 million per tonne from 2013.

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).

Investment is being made into Wirral's neighbourhood facilities, for developing the library and One Stop Shop IT network and in other facilities including leisure centres.

In terms of reducing Wirral's carbon footprint significant investment has been made to offer free home insulation to Wirral residents. Energy efficiency measures including the use of solar power are being introduced to council buildings.

Additional investment is being made to improve Wirral's road network and to increase road safety. An exercise is currently underway to procure a suitable parks and open spaces contract that is expected to generate efficiencies and service improvements.

In supporting community engagement additional resources have been allocated to Area Forums whilst a major Neighbourhood Planning consultation programme is taking place in 2011. The asset transfer programme continues with communities being engaged in the operation and maintenance of a number of former authority buildings.

#### 5.5.5 Your Council

A programme of public consultation using various media channels continues. This will help inform and shape the priorities of the Authority and assist with future decision making regarding the use of resources.

To respond to demands for its services within the resource constraints the Council is undergoing a number of organisational changes. The Early Voluntary Retirement / Voluntary Severance Scheme resulted in a reduction in the workforce. Future resource pressures and the need to deliver services in different ways with fewer staff will inevitably result in changes to the way the Council is structured and operates.

The Customer Access Strategy is delivered through the 'front-of-house network' of the Call Centre, One Stop Shops and Libraries with this enhanced through the 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 Asset Review will make improvements to service delivery, contribute towards the sustainability programme and also realise financial benefits through operational efficiencies. Assets have been transferred from Council ownership for community use and this programme of transfers is continuing. An accommodation review is being undertaken which will result in efficiencies and further reductions to the 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, the work of the Procurement Unit and the expansion of goods and services available through on-line catalogues. By using the opportunities afforded by the changing systems this will continue to provide additional benefits.

Responsibilities and budget for public health is expected to transfer to the Council during 2013 which should further strengthen the partnership working between the public sector agencies as well as with other sectors in delivering adult social services.

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

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 are based on the latest information available. With the Government undertaking consultations during 2011 on topics including the Local Government Resource Review which covers the Localisation of Business Rates and Community budgets; Welfare Reform which includes Council Tax Rebate and the Universal Credit Schemes and the Health Changes as well as the outcome of the Census 2011 the projections will be subject to change. As further information is received this will be reported in the regular Budget Projections updates to Cabinet.



**GENERAL FUND PROJECTIONS (as reported to Cabinet 1 September 2011)**

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>BASE BUDGET</b>	294.8	281.0	267.2
<b>PLUS: IDENTIFIED CHANGES</b>			
Inflation – Pay	1.0	3.5	3.5
Inflation – Prices	4.2	4.2	4.2
Capital financing	1.9	2.0	2.0
Waste Disposal	-	1.5	1.5
Pension Fund	0.3	0.3	2.5
National Insurance	1.0	-	-
Merseytravel	-	1.0	1.0
Unavoidable growth	1.0	1.0	1.0
Efficiency Investment Fund	2.0	2.0	2.0
Inflation – Income	-1.0	-1.0	-1.0
Academies	0.9	-	-
Housing	0.3	-	-
Neighbourhood Management	0.4	-	-
Home to School Transport	0.2	-	-
Integrated Transport	0.3	-	-
DASS Re provision	3.5	-	-
Council Tax Benefit	-	3.2	
Agreed efficiencies	-4.5	-0.5	-0.4
Efficiency Plan/Savings Required	-25.3	-31.0	-30.3
<b>FORECASTED BUDGET</b>	<b>281.0</b>	<b>267.2</b>	<b>253.2</b>
<b>RESOURCES</b>			
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 Grant	0.3	0.3	0.3
Council Tax	131.4	131.4	131.4
<b>RESOURCES</b>	<b>281.0</b>	<b>267.2</b>	<b>253.2</b>
<b>GENERAL BALANCE</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

In terms of Council Tax increases the Coalition Government announced a freeze for 2011/12 and awarded a Council Tax freeze grant worth 2.5% of any notional Council Tax increase.

With the outcome of the Spending Review 2010 and consultation exercises unknown at this stage Formula Grant has been based on indications of the likely range of reduced Government grants and a reduction of approximately 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>
Continuing resource reductions require strategic management of resources	High	High	Change Programme. Consultation process to assist prioritisation.
Local Government Resource Review and School Funding Review results in reduced funding	High	High	Early evaluation of options. Lobbying through SIGOMA and others including MPs.
Continuing resource reductions 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. Planning /structural changes including reprovion budget.
Efficiency Plan / savings are not delivered	Medium	High	Appraisal of issues at start. Regular reporting of progress.
Demand for adult / child social care services increases and market failure risks	Medium	High	Lobbying of Government. Monitoring and reporting.
Health service issues add to Council pressures	Medium	High	Agreements with NHS Wirral. Effective care management. Regular dialogue with sector.
Cost of waste / recycling services increase	Medium	High	Lobbying of Government. Monitoring and reporting.
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 performance reporting
Forecasts of future spending needs, pay and inflation vary from assumptions	Medium	Medium	Inflation targets. Pay changes 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. 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	Longer term projections. Scrutiny of decisions. Change Programme.
Severe weather and other incidents	Low	Medium	Maintain emergency plans. Assessment of balance.
Legislative changes including funding not anticipated	Low	Low	Assess Government policy. Member of groups (SIGOMA).
Revenue implications of capital projects not included	Low	Low	Reports identify the revenue effects of projects