

WIRRAL COUNCIL

CABINET

3 NOVEMBER 2011

SUBJECT:	PROVISION FOR INFLATION 2012-13
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEPHEN FOULKES
KEY DECISION?	YES

1.0. EXECUTIVE SUMMARY

- 1.1. A decision is required on the provision for inflation to be included in the budget for 2012-13.

2. RECOMMENDATIONS

- 2.1. That provision be made for pay awards in line with the Government recommendation.
- 2.2. That no provision be made for price inflation.
- 2.3. That income budgets be increased by 3%.
- 2.4. That a full review of all fees and charges be undertaken in 2012.

3.0. REASON FOR RECOMMENDATIONS

- 3.1. A decision is required on the provision for inflation to be included in the budgets for 2012-13.

4.0. BACKGROUND AND KEY ISSUES

PAY INFLATION

- 4.1. The Government has indicated that the provision being made for public service pay awards for 2012-13 will be £250 per annum for those employees earning less than £21,000 per annum and nothing for those earning above £21,000. The estimated cost of this provision is £1m.

PRICE INFLATION

- 4.2. There are four options which could be considered for price inflation:-
- a. Zero – Following reductions in Government grants the financial position of the Authority is such that any provision for inflation will only result in additional reductions in service provision and employment. Chief Officers would be required to contain expenditure within the existing budget. For the reasons stated, this is the recommendation for 2012-13.
 - b. Government long term inflation assumption of 2% - This is the assumption used to date in the budget projections and would cost £4.2m.
 - c. Consumer Price Index (CPI) of 5.2% - This would cost £10.9m.
 - d. Retail Price Index (RPI) of 5.6% - This would cost £11.8m.

INCOME INFLATION

- 4.3. Income from fees and charges has traditionally been increased by 3% per annum, except where the Cabinet has agreed a variation. This increase equates to £1m.
- 4.4. There are a number of current issues in relation to income from fees and charges:-
- a. Following issues raised in the Social Services Public Interest Disclosure Act (PIDA) report relating to the agreement and application of fees and charges, Internal Audit is reviewing all fees and charges.
 - b. A review of fees and charges income is being undertaken across Merseyside.
 - c. A number of income budgets are proving difficult to sustain in the current economic climate.
- 4.5. Therefore it is recommended that a full review of fees and charges be undertaken in 2012 to take account of the outcome of the reviews outlined above.

5.0. RELEVANT RISKS

- 5.1. The continuing relatively high rate of inflation may put undue pressure on expenditure budgets. Despite the recommended increase in fees and charges being significantly below the rate of inflation, the poor economic climate may still result in a shortfall of income.

6.0. OTHER OPTIONS CONSIDERED

- 6.1. These are outlined in paragraph 4.

7.0. CONSULTATION

7.1. There is none arising directly from this report.

8.0. IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1. All Council budgets will be affected equally by these proposals including those used to fund services provided by voluntary, community and faith groups.

9.0. RESOURCE IMPLICATIONS - FINANCIAL

9.1. The effect of these increases will be included in service budgets for 2012-13.

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/230/11

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APPENDICES

None.

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	9 December 2010
Cabinet	5 November 2009