

WIRRAL COUNCIL

CABINET - 27 NOVEMBER 2008

REPORT OF THE DIRECTOR OF FINANCE

PROJECTED BUDGETS 2009-2011

1. EXECUTIVE SUMMARY

1.1. This report presents the projected budgets for 2009-2011 to coincide with the period of the Comprehensive Spending Review 2007 (CSR).

2. BUDGET 2008-09

2.1. The summary budget for 2008-09 as agreed by the Council on 3 March 2008 is as follows:

	£m
Base Budget	302.6
Resources	
Formula Grant	147.4
Area Based Grant	28.4
Council Tax	123.2
Collection Fund	- 0.5
Use of Balances	<u>4.1</u>
	302.6

3. COMPREHENSIVE SPENDING REVIEW

3.1. The Comprehensive Spending Review (CSR) 2007, was announced on 9 October 2007. An initial report on the Pre Budget Statement by the Chancellor of the Exchequer including the CSR was presented to the Cabinet on 1 November 2007. The Department for Communities and Local Government (DCLG) announced the three year provisional Local Government Finance settlement on 6 December 2007 and the final settlement on 24 January 2008.

4. **VARIATIONS IDENTIFIED FOR 2009-2011**

- 4.1. **Inflation** –Provision is included for pay and prices at 2% and for income at 3% for 2009-2011.
- 4.2. **Capital Financing** – Cabinet on 12 December 2007 agreed the capital programme for 2008-2011 at an additional financing cost.
- 4.3. **Highways Maintenance** – provision is included for the transfer of highways expenditure of £2.2m to the revenue budget from the capital budget.
- 4.4. **Waste Disposal** – The waste disposal levy is projected to increase by 15.4% per annum.
- 4.5. **Pension Fund** - The Pension Fund has been actuarially revalued as at 31 March 2007. The phased implementation of the revised contribution rates over three years was agreed by the Cabinet on 12 December 2007.
- 4.6. **Merseytravel** – The Merseytravel levy is projected to increase by 4% per annum.
- 4.7. **Invest to Save Schemes** – The Cabinet has agreed a number of invest to save schemes which will reduce expenditure by £0.8m in 2009-10 and by a further £0.4m in 2010-11.
- 4.8. **Private Finance Initiative** – Increase in PFI payments of £0.4m in 2009-10 and a further £1m in 2010-11 as the PFI reserve reduces.
- 4.9. **Benefits Subsidy** – The Department for Work and Pensions has announced that benefits subsidy will be reduced by 3% per annum in real terms, 5% per annum in cash for certain elements of the subsidy, a reduction of £0.7m per annum.
- 4.10 **Local Area Agreement** – Options for the use of the Reward Grant, the revenue element of which is estimated at £1.9m for each of 2009-10 and 2010-11 will be discussed by the LAA Board on 19 November 2008.
- 4.11. **Energy** – The increased cost of fuel and energy has been estimated at £9m in 2009-10 as reported to Cabinet on 9 July 2008.
- 4.12. **Foster Care Fees** - Cabinet on 4 September 2008 agreed to an increase in foster care payments of £0.5m for 2009-10.
- 4.13. **Other Unavoidable Growth** – A number of relatively minor items of unavoidable growth of less than £0.2m will arise. These should total less than £1m.

5. OTHER DEVELOPMENTS

5.1. There are a number of other developments which are likely to impact on the financial position of the Authority over the period 2009 to 2011. The impact of these issues will be reported to the Cabinet as and when they are resolved. Some of the potentially most important issues are:-

- (a) Implementation of Local Housing Allowance from 1 April 2008 which was reported to Cabinet on 12 December 2007.
- (b) Revised Local Government Pension Scheme introduced from 1 April 2008.
- (c) Review of the calculation of the Minimum Revenue Provision which was reported to Cabinet on 16 April 2008.
- (d) Review of the Local Authority Business Growth Incentive Scheme. A consultation paper on a revised scheme to commence in 2009 was reported to the Cabinet on 29 November 2007. A further consultation paper has been received which if implemented could result in a grant of £0.2m in 2009-10 and £0.5m in 2010-11.
- (e) Replacement of Planning Delivery Grant with the Housing and Planning Delivery Grant which was reported to Cabinet on 25 September 2008.
- (f) Review of Supporting People Grant to be undertaken in 2009 with the grant to be absorbed into the Area Based Grant from 2009-10.
- (g) A Bill has been introduced to implement supplementary business rates following the White Paper which was reported to Cabinet on 29 November 2007.
- (h) Review of the Area Cost Adjustment.
- (i) Review of the population statistics to include the effects of recent migration, which was reported to the Cabinet on 16 April 2008.
- (j) Review of the funding of social care with proposals to be released in 2009.
- (k) Transfer from the PCT of responsibility for the commissioning of social care for adults with learning disabilities from 2009-10. Agreement with the PCT on the scale of the transfer has to be reached by 1 December 2008.
- (l) Transfer of the responsibilities of the Learning and Skills Council to Local Authorities from 2010.
- (m) Introduction of the Community Infrastructure Levy from 2009.

(n) Implementation of International Financial Reporting Standards from 2010 which will increase leasing costs.

5.2. Many of these developments could impact on the grants receivable for 2009-2011. The grants announced by the DCLG as part of the three year financial settlement are only indicative.

6. **BALANCES**

6.1. The balances for 2008-09 have been set at £5m but the Audit Commission has restated its view that balances should be a minimum of 2% of the net revenue budget which for Wirral would be £6m.

6.2. The financial out-turn for 2007-08 was reported to Cabinet on 26 June 2008 indicating a net underspending of £1.6m, and additional late grant notifications totalling £0.6m.

6.3. Increased energy and fuel costs for 2008-09 estimated to total £3.5m were reported to Cabinet on 9 July 2008.

6.4. The Insurance Fund annual report was presented to Cabinet on 9 July 2008 incorporating a transfer of £3.0m from the Insurance Fund to the General Fund.

6.5. The receipt of additional Local Authority Business Growth Incentive grant totalling £1.3m was reported to Cabinet on 23 July 2008.

6.6. Cabinet on 4 September 2008 agreed a projected overspending of £3.5m in 2008-09 on Adult Social Services, of which £0.8m will continue into 2009-10. Cabinet on 16 October 2008 agreed to bring forward the closure of Feltree House thus reducing the projected overspending in 2008-09 by £0.2m and in 2009-10 by £0.5m.

6.7. Following the Audit of the Accounts for 2007-08 the capitalisation of highways improvements has been reduced from £3.7m to £1.5m in 2008-09 as reported to Cabinet on 16 October 2008.

6.8. Cabinet on 6 November 2008 agreed to fund the following improvement teams from the Efficiency Investment Budget in 2008-09.

	£000
Procurement and Creditors	1,022
Change	635
Customer Services Development	183
Adult Social Services Reform	<u>360</u>
	2,200

In 2009-10 the cost of the Adult Social Services Reform Team will increase to £518,000. Funding of these teams from the Efficiency Investment Budget will allow the original funding to be added to balances.

	£m
Balances as at 1 April 2008	5.0
Out-turn 2007-08	1.6
Additional Grants	0.6
Insurance Fund	3.0
Energy and Fuel	- 3.5
LABGI	1.3
Adult Social Services	- 3.3
Highways Improvements	- 2.0
Improvement Teams	<u>2.2</u>
	4.9

7. EFFICIENCY REQUIREMENTS

- 7.1. The gap between projected expenditure and anticipated resources will need to be bridged by a combination of savings and/or increased Council Tax.
- 7.2. Cabinet on 13 March 2008 agreed the following efficiency targets for 2009-11 but reserved the right to vary these targets during the year.

Department	Target 2009-10	Target 2010-11
	£000	£000
Adult Social Services	4,620	3,780
Children and Young People	2,350	1,920
Corporate Services	710	580
Finance	740	600
Regeneration	3,060	2,500
Technical Services	1,620	1,320
	13,100	10,700

- 7.3. The efficiencies agreed in preparing the budget for 2008-09 included £0.9m in Adult Social Services which will become effective from 2009-10.
- 7.4. Cabinet on 9 July 2008 agreed an invest to save scheme in energy conservation involving capital expenditure of £355,500 to produce annual revenue savings of £89,300. This is the only invest to save scheme which has been proposed during 2008-09.
- 7.5. Cabinet on 16 October 2008 agreed a number of efficiencies:-

	£m
Children Residential Care	0.7
ERIC Service	0.5
Housing and Council Tax Benefit	0.6
Treasury Management	0.5
General Efficiencies	<u>0.6</u>

7.6 Cabinet on 6 November 2008 agreed a number of efficiencies:-

	£m
Supported Living	1.0
Reform Care Grant	1.5
Corporate Procurement Contracts	1.5
General Efficiencies	<u>0.5</u>
	4.5

7.7. I am assuming an annual Council Tax increase of 4%. 2.9

7.8. The CSR states that the Council Tax capping limit will remain at 5%.

8. **FINANCIAL IMPLICATIONS**

8.1. The projected budgets for 2009 to 2011 are compiled from the base budget for 2008-09 approved by Council on 3 March 2008, the Medium Term Financial Strategy 2009-2012 agreed by the Cabinet on 23 July 2008, and updated for the issues outlined in this report. The projected budgets are shown in the Appendix.

9. **STAFFING IMPLICATIONS**

9.1. There are none arising from this report.

10. **EQUAL OPPORTUNITIES IMPLICATIONS**

10.1. There are none arising from this report.

11. **HUMAN RIGHTS IMPLICATIONS**

11.1. There are none arising from this report.

12. **LOCAL AGENDA 21 IMPLICATIONS**

12.1. There are none arising from this report.

13. **COMMUNITY SAFETY IMPLICATIONS**

13.1. There are none arising from this report.

14. **PLANNING IMPLICATIONS**

14.1. There are none arising from this report.

15. **LOCAL MEMBER SUPPORT IMPLICATIONS**

15.1. There are none arising from this report.

16. **BACKGROUND PAPERS**

16.1. Comprehensive Spending Review – Treasury – October 2007

Medium Term Financial Strategy – 2009-2012 – July 2008
Formula Grant Settlement 2008-09 –DCLG – January 2008
Estimates 2008-09 – March 2008

17. **RECOMMENDATION**

That the projected budgets continue to be reported to the Cabinet in line with the agreed financial and performance management timetable.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/267/08

WIRRAL COUNCIL

PROJECTED BUDGETS 2009-2011

	2009-2010	2010-2011
	£m	£m
Base Budget	299.6	322.2
Increased Requirements		
Pay Inflation	3.4	3.3
Price Inflation	3.6	3.6
Capital Financing	3.1	3.3
Highways	2.2	-
Waste Disposal	2.2	2.5
Pension Fund Revaluation	0.5	0.5
Merseytravel	1.0	1.0
Private Finance Initiative	0.4	1.0
Benefits Subsidy	0.7	0.7
Energy and Fuel	9.0	-
Foster Care	0.5	-
Area Based Grant	2.7	- 0.4
Supporting People	10.3	-
Unavoidable Growth	1.0	1.0
Efficiency Investment Fund	<u>2.9</u>	<u>2.9</u>
	343.1	341.7
Reduced Requirements		
Income Inflation	-1.0	-1.0
Invest To Save	- 0.8	- 0.4
LABGI	- 0.2	- 0.3
Children Residential Care	- 0.7	-
ERIC Service	- 0.5	-
Housing & Council Tax Benefit	- 0.6	-
Treasury Management	- 0.5	-
General Efficiencies	- 2.0	-
Supported Living	-1.0	-0.3
Reform Care Grant	-1.5	
Corporate Procurement		
Contracts	<u>-1.5</u>	<u>-</u>
Forecast Expenditure	332.8	339.7
Balances	<u>1.1</u>	<u>-</u>
	333.9	339.7
Resources		
Formula Grant	152.7	157.9
Area Based Grant	41.4	41.0
Council Tax	123.2	128.1
Forecast Resources	<u>317.3</u>	<u>327.0</u>
Shortfall		
Council Tax Increase	16.6	12.7
Efficiencies required	4.9	5.1
	11.7	7.6