

WIRRAL COUNCIL

CABINET

15 MARCH 2012

SUBJECT	BUDGET PROJECTIONS 2013-15
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR JEFF GREEN
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 Following the agreement of the budget for 2012-13 at the Council meeting on 1 March 2012, this report presents the projected budgets for 2013-15.

2.0 BACKGROUND AND KEY ISSUES

2.1 Assumptions Underpinning the Projections

- a) Inflation - Provision is included for price inflation of 2% per annum with income to increase by 3% per annum. Pay awards are assumed to increase by 1% per annum as requested by the Government.
- b) Capital Financing - Cabinet on 8 December 2011 agreed a capital programme at an increased revenue cost of £1.4m per year.
- c) Pension Fund - the increase arising from the actuarial valuation in March 2010 will increase the contribution by £0.3m in 2013-14. The revaluation scheduled for March 2013 will be implemented from 2014.
- d) 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.
- e) Merseytravel - From 2013 the levy is assumed to increase by £1m per annum.
- f) Schools - it is assumed that the Schools Budget will vary in line with the Dedicated Schools grant.
- g) 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.
- l) Other Unavoidable Growth - a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.

2.2 Grant Negotiations

- 2.2.1. The Spending Review 2011-15 incorporated four year projections for local government expenditure. However the Local Government Finance Settlement has 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.
- 2.2.2. The Local Government Finance Bill was introduced to Parliament on 19 December 2011. The two major elements are the localisation of Business Rates and Council Tax Benefits.
- 2.2.3. H. M. Treasury (HMT) announced a Council Tax freeze grant for 2012-13 only equivalent to a 2.5% Council Tax increase, amounting to £3.3m for Wirral.
- 2.2.4. As part of the LGRR the Government proposes to reduce specific grants from 2013. The pro-rata impact for Wirral could be a loss of £7m in 2013-14 and £23m in 2014-15. Details of which specific grants will be reduced will be announced in spring 2012.
- 2.2.5. 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 2010 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.

2.3 Other Legislative Issues

- 2.3.1 Pensions - The Independent Public Service Pensions Commission issued final recommendations on 10 March 2011. The Pensions Committee is being updated on progress with implementation now expected in 2014.
- 2.3.2 Welfare Reform Bill – Implementation of Universal Credit and a Local Council Tax Benefit System is due to commence in 2013. The Local Council Tax Benefit System will result in a reduction of grant of £3.2m.
- 2.3.3 Localism Act 2011 - Will require a local referendum if a proposed Council Tax increase is considered to be excessive.
- 2.3.4 Council Tax Revaluation - This has been deferred until after 2015.
- 2.3.5. Public Health - Responsibility for Public Health transfers to Local Government in 2013. The budget to be transferred will not be issued until December 2012. However, The Department of Health did issue an adjusted current spend figure of £22.264m on 7 February 2012. Funding will probably be by specific grant.

2.4 Balances

2.4.1 The budget for 2012-13 includes balances of £18.4m.

2.4.2. The budget for 2012-13 will utilise £9.6m of the balances.

2.4.3.		£m
	Opening balances 1 April 2012	18.4
	Budgeted use in 2012-13	<u>9.6</u>
	Projected balances 31 March 2013	8.8

2.4.4. The minimum recommended balances are £6.0m.

2.5. Savings

2.5.1. Cabinet on 21 February 2012 agreed an amended strategic change programme. Substantial work is required to increase the size and scope of this programme in order to deliver the savings required for 2013-15.

3.0 RELEVANT RISKS

3.1 For 2013-15 the Government proposes significant changes to the grant distribution system which could cause major changes to these projections.

3.2 The Government has indicated that the austerity measures outlined in the Spending Review for 2011-15 are now likely to continue beyond 2015.

4.0 OTHER OPTIONS CONSIDERED

4.1 All of these projections represent my assumptions of the most likely outcome from a wide range of available options.

5.0 CONSULTATION

5.1 The Government is consulting on a number of issues which will impact on the budget projections. I respond to all consultation exercises to try to ensure the best outcome for Wirral.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no direct implications arising from this report.

7.0 RESOURCE IMPLICATIONS – FINANCIAL

7.1 The assumptions outlined above are reflected in the budget projections in the Appendix.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That the budget projections be regularly reviewed.

12.2 That the strategic change programme be enhanced.

13.0 REASON FOR RECOMMENDATIONS

13.1 Regular reporting of the projected financial prospects is a requirement of good corporate and financial planning.

FNCE/45/12

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APPENDICES

Budget Projections 2013-15

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 2012-15 - October 2011
Local Government Finance Settlement 2012-13 - DCLG - January 2012
Council Budget 2012-13 - March 2012
Autumn Statement – HM Treasury – November 2011.

SUBJECT HISTORY

Council Meeting	Date
This report is revised for each meeting of the Cabinet.	

**Wirral Council
Budget Projections 2013-15**

	2013-14	2014-15
	£m	£m
Base Budget	288.2	282.7
Increased Requirements		
Pay Inflation	1.7	1.7
Price Inflation	4.2	4.2
Capital Financing	1.4	1.4
Pension Fund	0.3	2.5
Waste Disposal	1.5	1.5
Merseytravel	1.0	1.0
Council Tax Benefit	3.2	-
Other Unavoidable Growth	1.0	1.0
Efficiency Investment	2.0	2.0
Specific Grant Reduction	<u>7.0</u>	<u>16.0</u>
	311.5	314.0
Reduced Requirements		
Income Inflation	<u>-1.0</u>	<u>-1.0</u>
	310.5	313.0
Resources		
Revenue Support Grant	-0.5	-0.5
Business Rates	145.2	135.0
Council Tax Grant	3.3	3.3
Local Services Support Grant	0.8	0.8
New Homes Bonus	1.0	1.0
Council Tax	<u>132.9</u>	<u>132.9</u>
Forecast Resources	282.7	272.5
Shortfall	27.8	40.5