

WIRRAL COUNCIL

CABINET

19 JULY 2012

SUBJECT	BUDGET PROJECTIONS 2013/15
WARD/S AFFECTED	ALL
REPORT OF	HEAD OF FINANCIAL SERVICES / DEPUTY S151 OFFICER
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 The Medium Term Financial Strategy presents an overview of the financial projections for 2012/15. Following agreement of the Budget for 2012/13 by Council on 1 March 2012 this report presents an update on the projections 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 the capital programme. Subsequent changes by Council in setting the 2012/13 Budget resulted in a programme with an increase in revenue cost of £1.7 million per year.
- c) Pension Fund - the increase arising from the actuarial valuation in March 2010 will increase the contribution by £0.3 million 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 £1.5 million per annum.
- e) Merseytravel – The levy is assumed to increase by £1 million 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 £2 million per annum has been provided.

- h) Other Unavoidable Growth - a number of items of less than £0.2 million will arise which usually total about £1 million 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 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 continues its passage to enactment. The two major elements are the Localisation of Business Rates and Council Tax Benefits. For Business Rates the Government has issued a further series of policy papers. The final proposals are anticipated later this year for implementation as part of the Finance Settlement 2013/14. The Government also continues to issue updates on the Council Tax Benefit scheme.
- 2.2.3 The Council Tax Freeze Grant agreed for 2011/12 was equivalent to a 2.5% Council Tax rise and amounted to £2.5 million for Wirral. This Grant is to continue for the period of the Spending Review. A further Freeze Grant was allocated for 2012/13 only.
- 2.2.4 As part of the LGRR the Government proposes to reduce specific grants from 2013. Whilst the detail is awaited the pro-rata impact for Wirral could be a loss of £7 million in 2013/14 and £23 million in 2014/15. The 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 and the reduction for Wirral since the Census 2001 is greater than for any other metropolitan or unitary authority. If confirmed in the Census 2011 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.
- 2.2.6 The Local Support Services Grant and New Homes Bonus Grant are both general grants and assumed to continue at the existing levels in future years.

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 Act - 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 10% (£3.2 million). Councils can choose to support this loss of grant from efficiencies elsewhere or can reduce the level of support offered to individuals. However, the Government has specified that local schemes should protect certain groups including eligible pensioners and other 'vulnerable groups' although the latter are currently not defined. A report on the Localised Support Scheme is on this agenda.
- 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 issued an adjusted current spend figure of £22.3 million on 7 February 2012 with funding by a specific 'ring-fenced' grant. The responsibility for, and the funding of, public health for children under the age of 5 transfers to the Council from 2015/16.

2.4 Balances

- 2.4.1 The Budget 2012/13 included balances of £18.4 million at 1 April 2012. Of this sum £9.6 million was used to fund £8.9 million of 'one-off' options and £0.7 million of permanent changes. This resulted in projected balances of £8.8 million at 31 March 2013.
- 2.4.2 The decisions of Cabinet since the setting of the Budget 2012/13 have resulted in an increase in the projected balances from £9.8 million to £14 million:-

Details	£m	£m
Projected balances at 31 March 2013		8.8
Cabinet decisions (additional spend):-		
29 March Pacific Road Theatre	0.6	
12 April Streetscene Contract Review	<u>0.1</u>	0.7-
Cabinet decisions (increase in balances):-		
21 June Financial Out-turn 2011/12		
Net increase in balances		1.9
Council Tax Reimbursement met in 2011/12	<u>4.0</u>	<u>5.9+</u>
Projected balances at 31 March 2013		<u>14.0</u>

- 2.4.3 Cabinet on 21 June 2012 considered a number of reports relating to the financial performance in 2011/12 including the Out-turn and Insurance Fund and Treasury Management Annual Reports. This reported a net increase in balances of £1.9 million.

2.4.4. Cabinet on 21 June 2012 was also informed that the Council Tax Reimbursement of £4 million which was included within the 2012/13 Budget was required to be funded in 2011/12. Consequently the funding provided in 2012/13 has been returned to balances.

2.4.5 The Departments of Adult Social Services, Children and Young People and Law, HR and Asset Management are presently reporting budget pressures. At this stage of the financial year Cabinet has not agreed to any variations to reflect those pressures.

2.4.6. The minimum recommended balances are £6 million.

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.

Strategic Change Programme		2013/14	2014/15
		£m	£m
Finance	Income (included in the Projections)		
Finance	Welfare Reform	1,000	1,000
Finance	Libraries / OSS Merger	200	200
Finance	ICT Review	210	90
*LHRAM	Transforming Business Support	1,000	1,000
*LHRAM	Terms and Conditions	<u>1,000</u>	<u>1,000</u>
		3,410	3,290

* Both are lead by the Department of Law, HR and Asset Management but the savings will be allocated across all departments.

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. Whilst working with national and regional groups on responses I respond to all consultation exercises to try to ensure the best outcome for Wirral.

5.2 A report on the Corporate and Business Planning – Consultation Process was presented to Cabinet on 10 July 2012 when the process to inform future budget setting was agreed.

6.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are no implications arising directly 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 no implications arising directly from this report.

9.0 **EQUALITIES IMPLICATIONS**

9.1 There are no implications arising directly from this report.

10.0 **CARBON REDUCTION IMPLICATIONS**

10.1 There are no implications arising directly from this report.

11.0 **PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are no implications arising directly from this report.

12.0 **RECOMMENDATION**

12.1 That the Budget Projections 2013/15 be regularly reviewed.

13.0 **REASON FOR RECOMMENDATION**

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

FNCE/140/12

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APPENDIX

Wirral Council - 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
Cabinet Budget Projections	Update reports are presented to each meeting.

APPENDIX

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	1.7	1.7
Pension Fund	0.3	2.5
Waste Disposal	1.5	1.5
Merseytravel	1.0	1.0
Efficiency Investment	2.0	2.0
Other Unavoidable Growth	1.0	1.0
Specific Grant Reduction	7.0	16.0
Council Tax Benefit	3.2	-
Pacific Road Theatre	0.6	-
Streetscene Contract	<u>0.1</u>	<u>-</u>
	312.5	314.3
Reduced Requirements		
Strategic Change Programme savings	-3.4	-3.3
Income Inflation	<u>-1.0</u>	<u>-1.0</u>
	308.1	310.0
Resources		
Formula Grant	144.7	134.5
Council Tax Freeze Grant (from 2011/12)	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	25.4	37.5