

## WIRRAL COUNCIL

### CABINET

20 DECEMBER 2012

|                                     |   |
|-------------------------------------|---|
| <b>SUBJECT</b>                      | <b>BUDGET 2013/16 – INITIAL PROPOSALS</b> |
| <b>WARD/S AFFECTED</b>              | <b>ALL</b>                                |
| <b>REPORT OF</b>                    | <b>INTERIM DIRECTOR OF FINANCE</b>        |
| <b>RESPONSIBLE PORTFOLIO HOLDER</b> | <b>COUNCILLOR PHIL DAVIES</b>             |
| <b>KEY DECISION</b>                 | <b>YES</b>                                |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report provides the latest Budget Projections for 2013/16.
- 1.2 It is proposed that a special Council meeting be convened before the end of January 2013 to approve the Council Tax Base and Business Rates Tax Base for 2013/14 as they have to be agreed by 31 January 2013.
- 1.3 Budget Cabinet is scheduled for 18 February 2013 with Budget Council scheduled for 5 March 2013. The Council has to agree a Budget and set the level of council tax for 2013/14 by 10 March 2013.

#### 2.0 BACKGROUND AND KEY ISSUES

##### BUDGET PROJECTIONS

- 2.1 The Budget Projections were last formally reported to Cabinet on 19 July 2012 when the projected spend and resources highlighted a budget gap of £63 million for 2013/15.
- 2.2 The Projections have been updated to include for demographic growth and the robust review of the adequacy of the base budget. As a result the budget gap for 2013/16 was reported as £103 million and was the base position prior to the announcement of the Autumn Statement.
- 2.3 The Chancellor of the Exchequer in his Autumn Statement on 5 December 2012 indicated that funding for local government would be reduced by a further 2% from 2014/15. At this stage no specific details are known about the distribution across local authorities. However it is reasonable to assume that Wirral will lose at least a further £2.7 million in 2014/15 and £2.5 million in 2015/16, which increases the budget gap to £109 million. The Government Grant for 2013/14 has still to be announced. It is expected before Christmas and Cabinet will be updated at the earliest opportunity of the outcome.

- 2.4 The Council continues to seek additional Government support to help address the funding pressures. This includes working with other local authorities locally as well as with the Local Government Association (LGA) and the Special Interest Group of Metropolitan Authorities (SIGOMA).
- 2.5 The detail behind the Budget Projections for 2013/16 is in Appendix 1 and can be summarised as:-

**Table 1 : Summary of the Budget Funding Gap**

| Funding Gap    | 2013/14 | 2014/15 | 2015/16 | Total |
|----------------|---------|---------|---------|-------|
|                | £m      | £m      | £m      | £m    |
| Funding Gap    | 39      | 43      | 27      | 109   |
| Cumulative Gap | 39      | 82      | 109     |       |

- 2.6 The gap is the result of demographic changes, the impact of levies, inflation and other cost pressures and reductions in Government Grant. This is shown in Table 2 with more detail in Appendix 1.

**Table 2 : Reasons behind the Budget Funding Gap**

| Funding Gap                             | 2013/14 | 2014/15 | 2015/16 | Total | Total |
|---|---------|---------|---------|-------|-------|
|   | £m      | £m      | £m      | £m    | %     |
| Increased Costs inc Demographic Changes | 22      | 13      | 12      | 47    | 43    |
| Reduced Grants                          | 17      | 30      | 15      | 62    | 57    |
| Funding Gap                             | 39      | 43      | 27      | 109   | 100   |

## **LOCAL GOVERNMENT FINANCING CHANGES**

- 2.7 Changes are being made to Local Government Finance from April 2013. These have been the subject of regular briefings to Members. These changes move a number of financial risks from Central to Local Government necessitating increased balances for future years. These include:-

### **2.7.1 Localisation of Business Rates**

Previously Councils collected Business Rates locally that were paid into a national pool which was then redistributed by Government based upon the Formula Grant criteria. From April 2013 this changes with 50% of the Rates retained locally and the other 50% paid into the pool for redistribution.

For 2013/14 no local authority should be worse off than in 2012/13 but the risk of non-collection and reduced income is borne by the Council whilst any additional income will, presently, be shared with the Government.

## 2.7.2 Changes to Welfare Reform

The Council is required to have in place a Local Council Tax Support Scheme from 1 April 2013. Previously 100% funded by the Government the Government support reduces to 90% from April 2013. Therefore the Council is required to implement a local scheme and to identify alternatives to fund the 10% reduction and the potential losses on collection (see Cabinet report 29 November 2012). The costs of additional claimants will be met by the Council with additional risk of collection losses.

The transfer of responsibility for the making of emergency payments from the Government with effect from April 2013 also brings significant risks to the Council. Under the Local Welfare Assistance Scheme, which has to be agreed by the Council for implementation from April 2013, any additional spending in excess of the amount allocated by the Government has to be funded by the Council.

Looking forward, the Welfare Reform Act will see the implementation of the Government Universal Credit scheme currently being piloted. In Wirral this will commence from October 2013 for new claimants and current claimants from 2014/15.

## 2.7.3 Transfer of Public Health

Public Health transfers to Local Government in April 2013 and this will be funded by a specific 'ring-fenced' Government Grant, at least for 2013/14. The responsibility for, and the funding of, public health for children under the age of 5 transfers to the Council from 2015/16.

The actual grant for 2013/14 will not be issued until December 2012. The earlier consultations undertaken by the Government have indicated that the future funding for Public health in Wirral could reduce significantly which adds to the financial risks faced by the Council.

### **GROWTH ITEMS**

- 2.8 The Budget Projections for 2013/16 include £11 million for growth arising from demographic changes, Government decisions regarding funding and local decisions relating to income.
- 2.9 All Chief Officers identified potential growth bids which were subject to review by the Executive Team and the Chief Executive and Interim Director of Finance as to their validity and justification.
- 2.10 Growth bids that have been agreed are detailed at Appendix 2. These have only been accepted where increased demand is placing uncontrollable pressure on safeguarding services for Adults and Children's Services and other services where the Council has a contractual obligation to fulfil.

## SAVINGS OPTIONS

- 2.11 The Council undertook a comprehensive What Really Matters consultation programme from 10 September 2012 to 19 October 2012. The findings from this initial stage in a comprehensive programme of consultation and engagement were reported to Cabinet on 8 November 2012 – and subsequently to Overview & Scrutiny Committees.
- 2.12 The second stage of the Consultation began on 23 November 2012 and runs to 31 January 2013. This involves more detailed options proposed by the Chief Executive and the consultation extends to residents, partners and employees and includes Member engagement through the Committee process. The results are to be reported to Overview & Scrutiny Committees and to Cabinet on 7 February 2013.

**Table 4 : Summary Of The Officer Savings Options\***

| Consultation Options         | 2013/16 | Total |
|------------------------------|---------|-------|
|                              | £m      | £m    |
| Transformation and Resources | 16      |       |
| Families and Well Being      | 33      |       |
| Regeneration and Environment | 10      | 59    |
| Further Back Office Options* |         | 19    |
| Total                        |         | 78    |

\* The Back Office options were referred to but not quantified in the Consultation and include the Efficiency Investment Fund (£8.4 million), procurement initiatives to be developed for 2014/16 (£8 million), VAT and energy 'one-off' items of £1.2 million and the potential benefits from shared services from 2015 (£1.4 million).

- 2.13 Chief Officers continue to review, refine and update the Budget Projections 2013/16. This includes a number of actions:-
- identifying areas where the assumptions can be updated or refined in light of further information from the Government and levying bodies such as in respect of the changes to the financing from April 2013.
  - progressing options in order to meet statutory time-scales with an example being the Local Council Tax Support Scheme agreed by Cabinet on 29 November 2012.
  - reviewing current practices to identify better ways of working which include the delivery of financial benefits such as the review of the Efficiency Investment Budget agreed by Cabinet on 8 November 2012.

**Table 5 : Summary Of Agreed Savings By Approval Date**

| Cabinet            | 2013/14 | 2014/15 | 2015/16 | Total |
|--------------------|---------|---------|---------|-------|
|                    | £m      | £m      | £m      | £m    |
| November           |         |         |         |       |
| Efficiency Fund    | 4.4     | 2.0     | 2.0     | 8.4   |
| Council Tax Scheme | 2.8     | 0       | 0       | 2.8   |
| Totals             | 7.2     | 2.0     | 2.0     | 11.2  |

2.14 The final decision regarding the Council Budget 2013/16 will be taken by Council on 5 March 2013 when the Budget 2013/14 and Council Tax levels for 2013/14 will be agreed.

### 3.0 RELEVANT RISKS

3.1 For 2013/16 there will be significant changes to the financing of local government which includes the changes in respect of the Formula Grant and also Business Rates. The latter places an increased risk upon local authorities as any they will benefit from a share of any increased revenues but also liable for at least a share of any falls in income (subject to the safety net triggers) and any non-collection.

3.2 The Government has indicated that the austerity measures outlined in the Spending Review for 2011/15 will continue beyond 2015 and until at least 2018. In the Autumn Statement on 5 December 2012 the Chancellor announced that there would a further 2% reduction in local government support from 2014/15 and that there would be a Spending Review in 2013.

3.3 The Audit Commission have recently reported upon a 36% rise in the level of reserves held by local authorities from 2007 to 2012. The Commission recommended that authorities should improve their decision-making about the appropriate levels of reserves.

3.4 In recognising the changing financial environment in which the Council operates Cabinet on 29 November 2012 agreed to a risk-based approach being adopted for setting the level of General Fund Balances. The Revenue Monitoring report on this agenda also makes reference to the additional concerns relating to income and the achievement of income targets.

### 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 findings from the What Really Matters consultation that ran from 10 September 2012 to 19 October 2012 were reported to Cabinet on 8 November 2012 and subsequently to Overview & Scrutiny Committees.

- 5.2 The second stage began on 23 November 2012 and runs to 31 January 2013. The options are proposed by the Chief Executive and the results are to be reported to Overview & Scrutiny Committees and to Cabinet on 7 February 2013.
- 5.3 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

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

- 6.1 Where budget options recommend a reduction or removal of a public service, discussions will take place with appropriate alternative service providers to ascertain if the impact would result in increased demand for services from the alternative providers. This will include voluntary and community sector groups and organisations.

## 7.0 **RESOURCE IMPLICATIONS**

- 7.1 The Budget Projections 2013/16 indicate a shortfall between spend and resources of £109 million (an increase on the previous £103 million based upon an assessment of the announcement in the Autumn Statement of a further 2% reduction in local government funding from 2014/15). This forms the base position for identifying any actions to address the Budget gap.
- 7.2 The Growth options proposed of £10.7 million over the period 2013/15 are within the £11 million identified for growth in the Budget Projections 2013/16.
- 7.3 For 2013/14 the Savings agreed to date total £7.2 million and represent 18% of the Budget gap for 2013/14.

**Table 6 : Summary Of Agreed Savings**

|                                   | 2013/14 | 2014/15 | 2015/16 | Total |
|-----------------------------------|---------|---------|---------|-------|
|                                   | £m      | £m      | £m      | £m    |
| Funding Gap                       | 39      | 43      | 27      | 109   |
| Savings Options Agreed – November | 7.2     | 2.0     | 2.0     | 11.2  |

- 7.4 A number of the budget proposals will impact on staff. The Chief Executive formally opened statutory consultation under Section 188 (4) of the Trade Union and Labour Relations (Consolidation) Act 1992 on the impact of the Officer Budget Options on 12 November 2012. Formal consultation meetings and communication have been taking place across the organisation. Any budget options which impact on staff will be subject to further detailed consultation on the potential impact including one-to-one consultation with employees as part of the statutory process.

## **8.0 LEGAL IMPLICATIONS**

- 8.1 The Council is required to agree a Budget for 2013/14 by 10 March 2013. The report concerns the duty of the Council to avoid a budget shortfall which is not just an academic exercise in balancing the books. The Chief Finance Officer of a local authority has a personal duty under Local Government Finance Act 1988 section 114A to make a report to the executive if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 8.2 If the Chief Finance Officer reports that there are insufficient resources to meet expenditure, the Council is prevented from entering into any new agreement which may involve the incurring of expenditure at any time by the authority, until the report is considered, and if the problem is ongoing until it is resolved. It is remarkably broad in its prohibition of new agreements, no matter what their scale. It would not only prevent the authority from hiring new staff or letting new construction contracts, but from ordering minor office supplies.

## **9.0 EQUALITIES IMPLICATIONS**

- 9.1 When taking Budget decisions the individual decisions may have Equality Implications. Equality Impact Assessments have been completed in relation to the options and these will be re-assessed as the options progress and updated where appropriate. A cumulative assessment will accompany the Budget proposal.

## **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 RECOMMENDATIONS**

- 12.1 That the Budget Projections 2013/16 and the increase in the Budget gap from £103 million to £109 million be noted.
- 12.2 That the Budget Growth 2013/16 totalling £10.7 million be agreed and the detail be built into the Budget.
- 12.3 That the savings options 2013/16 agreed to date £11.2 million be noted.
- 12.4 That a special meeting of the Council be convened before the end of January 2013 to approve the Council Tax Base and Business Rates Base.

12.5 That, in accordance with the plan, Cabinet are requested to bring forward initial savings proposals to meet 40% of the Budget gap for 2013/14.

### 13.0 REASON FOR RECOMMENDATION

13.1 The regular reporting of the Budget Projections is a requirement of good corporate and financial planning and key to the provision of a robust and sustainable Council Budget. The agreement of growth and savings are a significant part of the Budget setting process.

13.2 The Council Tax Base and Business Rates Base are required to be approved by Council before 31 January 2013. At this stage further information is awaited from Government regarding Business Rates under the revised financing arrangements for local government.

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### APPENDICES

Appendix 1 Wirral Council Budget Projections 2013/16.  
Appendix 2 Wirral Council Growth Submissions 2013/16.

### 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 – December 2012.

### SUBJECT HISTORY

| Council Meeting                           | Date             |
|---|------------------|
| Cabinet                                   |                  |
| Budget Projections                        | 19 July 2012     |
| What Really Matters Consultation Findings | 8 November 2012  |
| Level Of General Fund Balances            | 29 November 2012 |

## APPENDIX 1

### WIRRAL COUNCIL - BUDGET PROJECTIONS 2013/16

| Financial Year                          | BUDGET PROJECTIONS        |                           |                               | CHANGE ANALYSIS            |                       |                |
|---|---------------------------|---------------------------|-------------------------------|----------------------------|-----------------------|----------------|
|   | Projected Net Exp<br>£000 | Projected Funding<br>£000 | Cumulative Difference<br>£000 | Spending Increases<br>£000 | Grant Reduced<br>£000 | Total<br>£000  |
| 2012/13                                 | 287,481                   | 287,481                   |                               |                            |                       |                |
| 2013/14                                 | 312,052                   | 273,064                   | 38,988                        | 24,571                     | 14,417                | 38,988         |
| 2014/15                                 | 341,352                   | 259,480                   | 81,872                        | 29,300                     | 13,584                | 42,884         |
| 2015/16                                 | 355,652                   | 254,666                   | 108,686                       | 14,300                     | 12,513                | 26,813         |
| Reduction in Specific Government Grants |                           |                           |                               | -20,400                    | +20,400               |                |
|   |                           |                           |                               | <u>47,771</u>              | <u>60,915</u>         | <u>108,686</u> |

Note : Figures include an estimate for the 2% additional reduction in Government Grant from 2014/15 being £2.7 million 2014/15 and £2.5 million 2015/16 per Autumn Statement on 5 December 2012.

### ANALYSIS OF THE CHANGES

|                                       | 2013/14<br>£000       | 2014/15<br>£000       | 2015/16<br>£000       | TOTAL<br>£000         |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Cost increases</b>                 |                       |                       |                       |                       |
| Pay - Inflation/pension costs         | 2,000                 | 4,200                 | 2,000                 | 8,200                 |
| Price inflation                       | 4,200                 | 4,200                 | 4,200                 | 12,600                |
| Efficiency Fund                       | 2,000                 | 2,000                 | 2,000                 | 6,000                 |
| Growth                                | 1,000                 | 1,000                 | 1,000                 | 3,000                 |
| Net Demographic Growth                | 4,000                 | 2,000                 | 2,000                 | 8,000                 |
| Streetscene Contract                  | 100                   | 0                     | 0                     | 100                   |
| Pacific Road Theatre                  | 600                   | 0                     | 0                     | 600                   |
| Levies – Waste / Merseytravel         | 2,500                 | 2,500                 | 2,500                 | 7,500                 |
| Capital Financing                     | 1,700                 | 1,700                 | 1,700                 | 5,100                 |
| Base Budget correction                | 8,000                 | 0                     | 0                     | 8,000                 |
|                                       | <u>26,100</u>         | <u>17,600</u>         | <u>15,400</u>         | <u>59,100</u>         |
| <b>Savings</b>                        |                       |                       |                       |                       |
| Income inflation                      | -1,000                | -1,000                | 0                     | -2,000                |
| Change Programme savings              | -3,400                | -3,300                | -3,300                | -10,000               |
|                                       | <u>-4,400</u>         | <u>-4,300</u>         | <u>-3,300</u>         | <u>-12,000</u>        |
| <b>Cessation of spends</b>            |                       |                       |                       |                       |
| One-off policy options                | -4,943                | 0                     | 0                     | -4,943                |
| One-off cost C/Tax reimbursement      | -3,990                | 0                     | 0                     | -3,990                |
|                                       | <u>-8,933</u>         | <u>0</u>              | <u>0</u>              | <u>-8,933</u>         |
| <b>Funding cessation</b>              |                       |                       |                       |                       |
| One off Funding - Reserves            | 9,604                 | 0                     | 0                     | 9,604                 |
| <b>SPENDING INCREASE</b>              | <u><b>22,371</b></u>  | <u><b>13,300</b></u>  | <u><b>12,100</b></u>  | <u><b>47,771</b></u>  |
| <b>Reduction in Government Grants</b> |                       |                       |                       |                       |
| General Grants                        | -14,417               | -13,584               | -12,513               | -40,515               |
| Various Specific Grants               | -2,200                | -16,000               | -2,200                | -20,400               |
| <b>REDUCTION IN GRANTS</b>            | <u><b>-16,617</b></u> | <u><b>-29,584</b></u> | <u><b>-14,713</b></u> | <u><b>-60,915</b></u> |

APPENDIX 2

WIRRAL COUNCIL GROWTH SUBMISSIONS 2013/16

| Department     | Option Title   | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | Total<br>£000 |
|----------------|--|-----------------|-----------------|-----------------|---------------|
| Children       | Independent Reviewing Officers                                       | 90              | 0               | 0               | 90            |
|                | Additional Social Worker Capacity in Wallasey District               | 315             | 0               | 0               | 315           |
|                | Social Workers in Schools  | 75              | 0               | 0               | 75            |
|                | Family Justice Review  | 100             | 0               | 0               | 100           |
|                | Staying Put Policy   | 100             | 0               | 0               | 100           |
|                | Increase in demand (Foster Care)                                     | 500             | 0               | 0               | 500           |
|                | Youth Justice Board Costs  | 50              | 0               | 0               | 50            |
| Adult Services | Increase in Fees for Residential & Nursing Care                      | 800             | 0               | 0               | 800           |
|                | Increase in Demand (Young Adults with Learning Disabilities)         | 944             | 926             | 930             | 2,800         |
|                | Increase in Demand (Older People)                                    | 1,773           | 1,276           | 875             | 3,924         |
| LHRAM          | Continuation of Community Fund and Supporting People funded services | 0               | 0               | 573             | 573           |
| RHP            | Continuation of Community Fund funded services                       | 0               | 0               | 1,000           | 1,000         |
| Technical      | Annual Property Uplift Biffa Waste contract                          | 12              | 12              | 12              | 36            |
|                | Increase in running costs following extensions to Cemeteries         | 0               | 60              | 60              | 120           |
| Finance        | Reduction in Housing Benefit Administration grant 2013/14            | 237             | 0               | 0               | 237           |
| <b>Totals</b>  |  | <b>4,997</b>    | <b>2,274</b>    | <b>3,450</b>    | <b>10,721</b> |