

WIRRAL COUNCIL

CABINET

7 JULY 2014

SUBJECT	COUNCIL BUDGET 2015/16 – 2017/18
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF RESOURCES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report builds upon the Future Council Project Update presented to Cabinet on 19 June 2014. It sets out the process to deliver a Council Budget (revenue and capital) for 2015/16 and forecast Budgets for the following years 2016/17 – 2017/18 for agreement by Council in February 2015 and the latest financial projections from the Medium Term Financial Strategy.

2.0 BACKGROUND AND KEY ISSUES

TIMETABLE

- 2.1 Building upon the approach adopted for the 2014/15 Budget the proposed activities comprise:-
- Preparation (April to July) – developing the Future Council work that was reported to Cabinet on 13 March 2014 and 19 June 2014 in undertaking service reviews, challenging and then designing taking forward the emerging options.
 - Budget Calculations (July to September) – the development of the findings to a range of options that exceed the eventual solution to provide Cabinet with options from which to determine the preferred outcome.
 - Consultation (September to November) – the major consultation will occur and will inform the decisions to be taken. This will be the full list of ‘officer options’ so that residents are fully informed of the choices that face the Council. After November a further consultation will follow focussed on implementation and individual need.
 - Member Engagement (July to November) – the Policy & Performance Scrutiny Committees will consider the broad principles and emerging options in July; discuss and provide feedback on the options in September and consider the consultation feedback and make recommendations to Cabinet in November.

- Decisions (December and January) – the Cabinet will recommend to two separate Council meetings packages for adoption and implementation;
- Budget Agreed (late-February) – the Council meeting in late-February will set the Council Tax and address matters that have arisen, usually from processes that run to a later timetable, such as the final Government Grant announcement and the precepts from the Police Commissioner and the Fire & Rescue Service.

2.2 The timetable will develop as information becomes available. Other tasks such as the closure of the 2013/14 Accounts and the Financial Monitoring 2014/15 will also inform the Budget setting process.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

2.3 The Strategy presented to Cabinet on 12 February 2014 reflected the Budget 2014/15 taking into consideration the savings agreed by the Council and the Local Government Finance Settlement 2014/15. This identified the gap between forecast expenditure and income to be £45 million over 2014/17 which equates to an approximate 20% reduction in net expenditure:-

Forecast Funding Gap 2014//15 – 2016/17

	2014/15 Budget	2015/16 Forecast	2016/17 Forecast	Total Gap
	£million	£million	£million	£million
Forecast Expenditure (includes demographic changes)	276	275	277	
Forecast Income (includes reduction in grant)	276	257	250	
Forecast Funding Gap	0	18	27	45

2.4 In updating the projected position the current assumptions regarding the projections for 2015/17 have been reviewed and to keep the Strategy as a three-year view 2017/18 has been added. This has amended the potential gap to £70 million but is now covering 2015/18 and based upon a range of assumptions which could, and will, change over the period.

Forecast Funding Gap 2015//16 – 2017/18

	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	Total Gap
	£million	£million	£million	£million
Forecast Expenditure (includes demographic changes)	275	277	264	
Forecast Income (includes reduction in grant)	257	250	239	
Forecast Funding Gap	18	27	25	70

2.5 In considering the forecast funding gap it is helpful to understand the assumptions which contribute to this position. Whilst these are based upon the position at Wirral the assumptions have also drawn upon the work of the Local Government Association and other authorities particularly with regard to 2016/17 and beyond. The assumptions comprise:-

- Growth including for unfunded demographic changes.
- Inflation including pay, superannuation and national insurance.
- Capital financing.
- External income primarily Government Grant.
- Local income changes from Council Tax and Business Rates.
- New legislative responsibilities.

Forecast Funding Gap Analysis 2015//16 – 2017/18

	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	Total
	£million	£million	£million	£million
Increased Expenditure from Growth / Inflation / Pressures	14	14	14	42
Reduced Income from declining Government Grant	24	14	11	49
Savings Agreed as part of the Budgets 2013/14 and 2014/15	-20	-1	0	-21
Forecast Funding Gap	18	27	25	70

Expenditure

- 2.6 Whilst growth includes around £2 million per year to reflect demographic changes which are kept under periodic review and will be influenced by the outcome of the Future Council work other factors will result in increased spend. There is £1.5 million of services presently met from the Wirral Council : Magenta Living Community Fund which will potentially have to be met in full by the Council from 2015/16 as this Fund has virtually all been committed.
- 2.7 Prior to 2014/15 legislation regarding the determination of excessive Council Tax rises meant that any variations to the Transport and Waste levies could require the Council to hold a Referendum. This is no longer the case. At this stage increases in future levies are assumed and as Merseytravel has provided grant funding to support highways infrastructure works which, under current plans, ceases at the end of 2015/16 there is a potential growth requirement.
- 2.8 The Council implemented changes to the Terms and Conditions of the workforce in the 2013/14 Budget which included the taking of 4 days unpaid leave per year for three years. As a consequence the projections for 2016/17 include for the restoration of the £1.4 million budget.

- 2.9 An estimate for inflation has been assumed. This includes an assessment of likely contractual commitments at £2.5 million per year, 2% for pay awards from April 2015 (1% is assumed from April 2014) with a general allocation for prices, together with the increases in the employers superannuation contributions based upon the latest Pension Fund actuarial revaluation. National insurance contribution rates are set to change from April 2016 and the potential impact has been included within the growth assumptions and the next triennial review of the Pension Fund will result in revised contributions and deficit recovery payments being implemented from April 2017.
- 2.10 There is the assumption that any reduction in Government Specific Grant funding will be met by a corresponding reduction in the service that previously received the funding and the reduction in grant will not be funded by the Council.

Income

- 2.11 Whilst the Government has issued indicative grant allocations for 2015/16 there have been no announcements regarding funding beyond 2015/16. There remains the intent to eliminate the Budget Deficit and the present financial strategy is expected to continue whichever Government is in control/ The scale may vary but will be influenced by the performance of the economy and income from tax revenues.
- 2.12 Based on the information available, including the work of the Local Government Association (LGA) the projections for Government Grant in 2017/18 are for reductions of between £7 million (if reductions are less than the current scale) to £11 million (the LGA view of an 8% reduction).
- 2.13 The Council has indicated that, if the conditions surrounding the Council Tax Freeze Grant are maintained in 2015/16, then it is the intention to freeze the Council Tax for 2015/16. The forecast presently assumes no increases. The projections do assume an increase in the Council Tax Base of around £0.6 million per year. The release of sites for disposal will result in an increase in the number of properties and Council Tax yield which will be factored into the forecast when details are clear.
- 2.14 The changes to Business Rates effective from April 2013 result in increased risks to the Council from non-collection but offer opportunities through the sharing of increased rates income. The forecast presently assumes inflationary increases of £0.7 million per year with £1 million from 2016/17 (based upon the LGA projections). At this stage nothing has been added from the progression of Wirral Waters and the Golf Resort resulting in additional income, although the timing and the sums involved have yet to be determined.

Savings

- 2.15 Cabinet is advised that decisions involving £57 million savings were taken as part of both the Budget 2013/14 and Budget 2014/15 which are being implemented and have to be delivered over the period 2014/17. The assumption is that these savings are delivered on time and in full:-

Savings Agreed

	2014/15	2015/16	2016/17	Total
	£million	£million	£million	£million
Savings Agreed	36	20	1	57

Balances

- 2.16 The level of General Fund balances and Reserves are key to the financial resilience of the Council which is critical at a time of increasing financial pressures and in difficult economic times. The holding of sufficient funds is part of the move to improve resilience. The locally and risk based approach to the level of General Fund balance, agreed by Cabinet as part of the Revenue Budget 2014/15 on 12 February 2014, is in line with the achievement of this approach.

Level of General Fund Balances

	2014/15	2015/16	2016/17
	£million	£million	£million
Assessed level February 2014	17	15	14

- 2.17 The Reserves include, at 1 April 2014, the sum of £14.2 million in a Future Council Re-Modelling Reserve. This has been established to help deliver the substantial changes needed to be introduced in order to deliver the future priorities from the reduced resources. It will meet the cost of investment as well as the one-off costs associated with reducing the workforce.

MANAGING WITHIN THE RESOURCES

- 2.18 The Future Council Project is taking a holistic view of the services the Council can provide from the potential £239 million available in the future and how best this resource can be used to deliver the Vision and the priorities detailed in the Corporate Plan.
- 2.19 Cabinet on 19 June 2014 considered a Future Council Project Update which incorporated an outline of the emerging options. This set out a thematic approach to looking at services together with the principles and emerging options under the headings:-

- Enabling Services
- Community and Neighbourhood Services
- Specialist and targeted Services

2.20 Also identified were a range of universal and cross-cutting options which were summarised as:-

- Charging, income and collection.
- Commissioning, procuring and contracting.
- Reshaping customer contact.
- Efficient approach to transactions.
- Flexible and mobile working.
- Out of hours services.

2.21 There are significant changes occurring which will impact upon both service provision and the funding. These will be kept under review and updates provide to Cabinet as the financial projections remain subject to change.

For individuals

- Welfare Reform including the impact of the Local Council Tax Support Scheme and the cessation of Government support under Local Welfare Assistance.
- Changes to service provision as a consequence of the savings. Whilst this will be mitigated as far as possible the forthcoming period will see services provided by other means and in some cases cessation of services.
- There will be a greater involvement of the communities and residents in taking greater ownership for their own affairs and localities.
- The scale of the gap will result in a reduced Council workforce with savings 2015/17 in the order of 20% being required.

For the Council

- The Future Council project will result in the Council becoming more targeted towards delivering the priorities as set out in the Corporate Plan with a consequent reduced direct involvement in other areas.
- Increased costs as a result of Government decisions including increase in National Insurance employer's costs.
- Impact of the Care Act and the closer working between the Health Sector and the Council Social Services in order to deliver efficiencies within the Social Care sector.
- The impact of Government funding changes with Business Rate income now offering both potential benefits (from the expansion of businesses in such as Wirral Waters) and greater risks (if income is not received through a reduction in the number of businesses within the borough).

3.0 RELEVANT RISKS

3.1 The report includes the anticipated future financial position for the Council. It contains and / or is based on forecast amounts for key budget items such as Government funding and includes a number of assumptions. A key risk is that the assumptions change of which the most likely are those related to:

- Government funding levels;
- Changes in Government policies,
- Demand for services;
- Changes in inflation
- Levies from other bodies.

3.2 The MTFS sets out a planned approach to the funding deficit that the Council faces. The Council's response through its budget options comes with risks that arise in the main from the considerable size reductions in expenditure that are required. To mitigate the risk, the achievement of agreed savings will have to be proactively managed.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options are available in connection with this report.

5.0 CONSULTATION

5.1 No consultation has been carried out in relation to this report but is an integral element of the delivery of the Corporate Plan and Council Budget.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report.

7.0 RESOURCE IMPLICATIONS

7.1 In terms of financial implications the Council has agreed to implement £57 million of savings between 2015/17, the forecast funding gap 2015/17 is £45 million with a further £25 million gap projected for 2017/18.

7.2 The achievement of the savings will result in a reduction in the workforce. This has been assessed at around 500 to deliver the existing savings. The one-off cost of reducing the workforce by such numbers is in the order of £30 million and will be met from the Re-Modelling Reserve which is presently £14 million. Options are being prepared for consideration in terms of the future savings and it is anticipated that this will lead to further significant reductions.

8.0 LEGAL IMPLICATIONS

8.1 The Council must set a legal Budget for the 2015/16 financial year by 10 March 2015.

- 8.2 The Council has a legal duty to mitigate any adverse impact arising from savings affecting staff, particularly if that involves redundancies. The taking of steps to help mitigate such risks and adverse impact is consistent with the Council's legal duties and responsibilities.

9.0 EQUALITIES IMPLICATIONS

- 9.1 There are no implications arising directly from this report. As part of the development of the options Equality Impact Assessments will be completed.

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 The Corporate Plan be reviewed and agreed by Council to provide the basis of the 2015/16 Budget.
- 12.2 That recommendations on the Council Budget be considered by Council in December 2014 and February 2015.

13.0 REASONS FOR RECOMMENDATIONS

- 13.1 The Council Budget aims to deliver the Council objectives as set out in the Corporate Plan and has to be set in the context of the available resources. The Council has to agree a Budget by the 10 March for the financial year commencing on the 1 April.
- 13.2 The strategy of decisions being made earlier so that timely implementation will reduce risk and increase savings and assist the Council meet its legal duties and responsibilities thereby reducing the level of spending reductions.

REPORT AUTHOR: Tom Sault
Head Of Financial Services
Telephone 0151 666 3407
Email tomsault@wirral.gov.uk

SUBJECT HISTORY

Council Meeting	Date
Cabinet – Revenue Budget 2014/17	12 February 2014
Cabinet – Medium Term Financial Strategy 2014/17	12 February 2014
Cabinet – Future Council Project Update	19 June 2014