

WIRRAL COUNCIL

CABINET - 5 FEBRUARY 2009

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.

3.2. The provisional Local Government Finance Settlement for 2009-10 was issued by the DCLG on 26 November 2008. The provisional settlement restated the indicative figures included in the settlement issued on 24 January 2008 and was reported to Cabinet on 10 December 2008.

3.3. Consultation on the provisional settlement closed on 7 January 2009 and the final settlement was issued on 21 January 2009.

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 10 December 2008 agreed the capital programme for 2009-2012 at an additional financing cost totalling £3.2m for 2009-10 and £2.9m for 2010-11.
- 4.3. **Highways Maintenance** – provision is included for the transfer of highways expenditure of £1.7m to the revenue budget from the capital budget.
- 4.4. **Waste Disposal** – The waste disposal levy is projected to increase by 15.7% 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 3.9% in 2009-10 and 4% in 2010-11.
- 4.7. **Invest to Save Schemes** – The Cabinet has agreed a number of invest to save schemes which will reduce expenditure by £0.9m in 2009-10 and by a further £0.4m in 2010-11.
- 4.8. **Private Finance Initiative** – Increase in PFI payments of £0.1m 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. This initial estimate will be revised in a report elsewhere on this agenda.
- 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 were agreed by the LAA Board on 19 November 2008 with £1.4m being used to support the budget.
- 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. This estimate has been revised in a report elsewhere on this agenda.
- 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. **Technical Services** - Cabinet on 10 December 2008 agreed to increased requirements for 2009-10 totalling £0.7m.

- 4.14. **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 2010-11.
- (g) Implementation of supplementary business rates 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 had to be reached by 1 December 2008. The PCT has reported that the transfer should be £6m.
- (l) Transfer of the responsibilities of the Learning and Skills Council to Local Authorities from 2010.

- (m) Introduction of the Community Infrastructure Levy in October 2009.
- (n) Implementation of International Financial Reporting Standards from 2010 which will increase leasing costs.

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. This estimate has been revised in a report elsewhere on this agenda.
- 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 has received regular reports indicating a projected overspending of £3.5m in 2008-09 on Adult Social Services.
- 6.7. There is a projected overspending of £0.8m on Regeneration which will be eliminated in 2009-10 by the implementation of the Strategic Asset Review.
- 6.8. 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.
- 6.9. 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.

6.10. Cabinet on 10 December 2008 agreed to transfer reserves and provisions totalling £360,000 into the General Fund balances, £230,000 of which is to offset the projected overspending in Regeneration.

| | |
|-----------------------------|------------|
| 6.11. | £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 | - 3.3 |
| LABGI | 1.3 |
| Adult Social Services | - 3.5 |
| Regeneration | -0.6 |
| Highways Improvements | - 2.0 |
| Improvement Teams | 2.2 |
| Reserves and Provisions | <u>0.1</u> |
| | 4.2 |

6.12. Cabinet 15 January 2009 agreed to establish a provision of £1.9m to meet the temporary costs of continuing to maintain Cultural Services facilities as part of the implementation of the Strategic Asset Review.

6.13. Reports included elsewhere on this agenda would restore the balances to at least the minimum level agreed with the Audit Commission.

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 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> |
| | 2.9 |

7.5. 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 |

7.6. Cabinet on 27 November 2008 agreed general efficiency proposals totalling £1.0m.

7.7. Cabinet on 10 December 2008 agreed a number of efficiencies:-

| | £m |
|----------------------|------------|
| Nursing Home Fees | 1.0 |
| General Efficiencies | <u>0.3</u> |
| | 1.3 |

7.8. Cabinet on 15 January 2009 agreed to implement the Strategic Asset Review reducing revenue expenditure by £3.1m of which £1m had already been assumed in the base budget.

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

7.10. The Minister for Local Government has confirmed 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 2009-10 –DCLG –January 2009.
Estimates 2008-09 – March 2008

17. RECOMMENDATIONS

That

- (1) the budget for 2009-10 be presented to the budget meeting of the Cabinet on 23 February 2009; and
- (2) the indicative budget for 2010-11 be reported to the Cabinet on 19 March 2009.

IAN COLEMAN
DIRECTOR OF FINANCE

**WIRRAL COUNCIL
PROJECTED BUDGETS 2009-2011**

| | 2009-2010 | 2010-2011 |
|-------------------------------|--------------|--------------|
| | £m | £m |
| Base Budget | 299.6 | 311.9 |
| Increased Requirements | | |
| Pay Inflation | 3.4 | 3.3 |
| Price Inflation | 3.6 | 3.6 |
| Capital Financing | 3.2 | 2.9 |
| Highways | 1.7 | - |
| Waste Disposal | 2.2 | 2.6 |
| Pension Fund Revaluation | 0.5 | 0.5 |
| Merseytravel | 1.0 | 1.0 |
| Private Finance Initiative | - | 1.1 |
| Benefits Subsidy | 0.7 | 0.7 |
| Energy and Fuel | 9.0 | - |
| Foster Care | 0.5 | - |
| Technical Services | 0.7 | - |
| 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> |
| | 332.7 | 341.5 |
| Reduced Requirements | | |
| Income Inflation | -1.0 | -1.0 |
| Invest To Save | - 0.9 | - 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 | - 3.3 | - 0.2 |
| Supported Living | -1.0 | -0.3 |
| Reform Care Grant | -1.5 | - |
| Corporate Procurement | | |
| Contracts | - 1.5 | - |
| Nursing Home Fees | - 1.0 | - |
| LAA Reward Grant | - 1.4 | - |
| Strategic Asset Review | <u>-2.1</u> | <u>-</u> |
| Forecast Expenditure | 316.5 | 339.3 |
| Resources | | |
| Formula Grant | 152.7 | 157.9 |
| Area Based Grant | 31.1 | 41.0 |
| Council Tax | 123.2 | 128.1 |
| Forecast Resources | <u>307.0</u> | <u>327.0</u> |
| Shortfall | 9.5 | 12.3 |
| Council Tax Increase | 4.9 | 5.1 |
| Efficiencies required | 4.6 | 7.2 |