

WIRRAL COUNCIL

CABINET

28 MAY 2009

REPORT OF THE DIRECTOR OF FINANCE

BUDGET PROJECTIONS 2011-2014

1. EXECUTIVE SUMMARY

1.1. With the release of documents supporting the Chancellor of the Exchequer's Budget on 22 April 2009 it is now possible to make an initial estimate of the projected budgets for the years from 2011 to 2014.

2. ASSUMPTIONS UNDERPINNING THE PROJECTIONS

2.1. Inflation – HM Treasury is assuming a return to a long term inflation rate of 2%. Therefore pay and prices are assumed to increase by 2% per annum with income to continue to increase by 3% per annum.

2.2. Capital Financing – HM Treasury is assuming that the level of capital investment will reduce by 50% between 2009-10 and 2013-14. The annual increase in capital financing charges has therefore been reduced to £2.0m.

2.3. Pension Fund – the Department for Communities and Local Government (DCLG) has yet to finalise the basis on which the 2010 pension fund revaluation will be undertaken and also the proposed cost sharing arrangements. Therefore I am assuming a continuation of the current annual increase of £0.5m.

2.4. Waste Disposal – the increase in the levy will be dependent on delivery of the waste disposal strategy. The Landfill Tax will increase by £8 per ton per annum, an increase of 50% between 2010-11 and 2013-14.

2.5. Merseytravel – the levy is assumed to continue to increase by 4% per annum.

2.6. Private Finance Initiative – the latest projections are included.

2.7. Benefits – the Department for Work and Pensions is estimating an annual increase of 1.7%.

2.8. Schools – it is assumed that the Schools Budget will vary in line with the Dedicated Schools Grant.

- 2.9. Adult Social Services Reform – the Reform Grant of £1.9m will cease in 2011-12 with the assumed implementation of the personalisation agenda, from which the Department of Health is assuming efficiencies of upto 7%. I have only assumed that the removal of the Reform Grant will not impact on the net budget.
- 2.10 Learning and Skills Council – it is assumed that the transfer of responsibilities to the Authority will be on a full cost basis.
- 2.11. Carbon Reduction Commitment – payment of £1.0m commencing in 2011-12. It is assumed that the Authority will reduce the carbon footprint sufficiently to recover these payments.
- 2.12. Other Unavoidable Growth – a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.
- 2.13. Efficiency Investment – in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore I have assumed a budget of £2m per annum.
- 2.14. Government Grants – the target for overall growth in public expenditure has been reduced from 1.8% in the Budget 2008 to 1.2% in the Pre-Budget Report to 0.7% in the Budget 2009. After allowing for debt repayments and the increase in welfare benefits of 1.7%, the rest of the public sector will face an annual reduction of 2.3%.
- 2.15 Council Tax – I am assuming an annual increase of 4%.

3. FINANCIAL IMPLICATIONS

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

4. STAFFING IMPLICATIONS

- 4.1. There are none arising directly from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

- 5.1. There are none arising directly from this report.

6. COMMUNITY SAFETY IMPLICATIONS

- 6.1. There are none arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

- 7.1. There are none arising directly from this report.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising directly from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising directly from this report.

10. MEMBER SUPPORT IMPLICATIONS

10.1. There are none arising directly from this report.

11. BACKGROUND PAPERS

11.1. Medium Term Financial Strategy 2009-12 – July 2008
Formula Grant Settlement 2009-10 – DCLG – January 2009
Estimates 2009-10 – March 2009
Budget – HM Treasury – April 2009

12. RECOMMENDATIONS

12.1. That the budget projections be kept under review as the global recession develops.

12.2. That further efficiencies be sought through the delivery of the strategic change programme, the extension of that programme and by specific service efficiencies.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/92/09

WIRRAL COUNCIL

BUDGET PROJECTIONS 2011-2014

| | 2011-12 £M | 2012-13 £M | 2013-14 £M |
|----------------------------|---------------|---------------|---------------|
| Base Budget | 335.5 | 333.9 | 335.1 |
| Increased Requirements | | | |
| Pay Inflation | 3.4 | 3.4 | 3.5 |
| Price Inflation | 3.7 | 3.7 | 3.8 |
| Capital Financing | 2.0 | 2.0 | 2.0 |
| Pension Fund | 0.5 | 0.5 | 0.5 |
| Waste Disposal | 3.0 | 4.0 | 5.0 |
| Merseytravel | 1.0 | 1.1 | 1.1 |
| Private Finance Initiative | 0.2 | 0.2 | 0.2 |
| Benefits | 2.4 | 2.4 | 2.5 |
| Other Unavoidable Growth | 1.0 | 1.0 | 1.0 |
| Efficiency Investment | <u>2.0</u> | <u>2.0</u> | <u>2.0</u> |
| | 354.7 | 354.2 | 356.7 |
| Reduced Requirements | | | |
| Income Inflation | -1.0 | -1.1 | -1.1 |
| Benefits Subsidy | <u>-2.2</u> | <u>-2.2</u> | <u>-2.3</u> |
| | 351.5 | 350.9 | 353.3 |
| Resources | | | |
| Grants | 194.3 | 189.9 | 185.5 |
| Council Tax | <u>134.2</u> | <u>139.6</u> | <u>145.2</u> |
| Forecast Resources | 328.5 | 329.5 | 330.7 |
| Shortfall | 23.0 | 21.4 | 22.6 |
| Council Tax Increase | 5.4 | 5.6 | 5.8 |
| Efficiencies Required | 17.6 | 15.8 | 16.8 |