

Report to: Cabinet
Overview and Scrutiny Co-ordinating Committee

Date: 30 July 2009
17 August 2009

Subject: Medium Term Financial Strategy & Financial Outlook 2010/11 to 2014/15

Report of: Executive Director of Business Support Services

Contact officer: Paul McKevitt X2237

Purpose/summary: To examine the financial projections for the Council over the next 5 years with specific focus on the Budget and Council Tax prospects for 2010/11

Alternative options considered and reason for selecting the one recommended: A substantial increase in Council Tax could lead to a cap being imposed. This would be the alternative option to requiring savings to be exemplified

Recommendation/decision: To note the forecast, the potential costs surrounding the risk areas identified, and consider the process for considering growth and reductions. Give guidance on the level of savings to be exemplified.

Key Decision: This report does not involve a key decision.

Risks / Implications:

Financial: The report sets the scene for the next 5 years. The key resources from Formula grant, Dedicated Schools Grant and specific grants are forecasts at this stage, but form the basis for the consideration of budget options and strategies to be considered over the coming months.

Staffing: May be affected by options chosen for both growth and efficiencies.

Policy: Budget Framework and Gershon efficiency
Equal Opportunities - Has a N/A

Diversity Impact Assessment been conducted?

Wards affected: All
Special Interest Members – Which have been consulted N/A

Property Implications – Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation?

No

If yes, have the property implications been agreed with the Corporate Property Officer?

N/A

Does this proposal have significant implications for the Council and the local population?

No a diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure? No

No a diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution?

Yes *

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council’s budget?

Yes *

Are any of the recommendations within this report contrary to the Policy Framework of the Council?

No *

* delete which applicable

For Cabinet reports only :

Categorisation of the report:	x
Discussion leading to a decision	x
Monitoring	
Sharing for corporate understanding	

	x
Discussion	
Decision	
Information	

Tracking/Process:

	Consultation	Ward Members	Partners
	Strategic Management Team 14th July 2009		
Panel	Overview & Scrutiny	Cabinet	Council
	17th August 2009	30th July 2009	

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer D. J. Smith
 Date 17th July 2009

Financial Outlook 2010/11 – 2014/15

This report sets the Council's Medium Term Financial Strategy for **2010/11 – 2014/15** and highlights a number of key pressures the Council is likely to face over that period.

Summary of report headings

- A. 2008/09 final accounts** – confirms changes to year end balances.

- B. 2009/10 – issues identified during the budget** – service pressures, uncertainties and risks to the budget strategy which remain unmitigated.

- C. Further budget issues identified since March 2009 and in 1st Monitoring report (see elsewhere on this agenda)** – an update on the pressures and uncertainties and any other emerging matters for the current year.

- D. Forecast Spend, Council Tax and Balances** – the forecast for the next 5 years to 2014/15 and what this may mean for Council Tax increases and levels of balances. This plan has been extended by 2 years to 5 years compared to previous forecasts. This reflects some of the longer term pressures which will emerge such as BSF and Waste Disposal requirements.

- E. Council Priorities for 2010/11 onwards** – how we will link our growth processes and other budget strategies to the Council's service objectives as set out in the corporate plan.

- F. Carry forwards, Growth and Revenue Savings** – the way in which flexibility is used to fund corporate priorities including the recycling of efficiency savings.

- G. Capital Investment Strategy** – we need to ensure that our Capital and Revenue financial plans are joined up in terms of financial consequences but also in terms of delivering the corporate plan.

- H. Risk Assessment** – we need to assess the risks to our developing budget strategy over the medium term and mitigate these as far as possible.

- I. Conclusions and Recommendations** – seeks guidance from the Cabinet on the budget strategy process and the level of savings to be exemplified.

A. 2008/09 – final accounts

The final accounts were approved by the special meeting of Audit and Governance Committee on 25th June 2008. The outturn for 2008/09 showed an underspend of £17.2m and following the reassessment of reserves and balances, general balances stood at £43.1m at the end of the year. It has previously been agreed Cabinet that balances would be used in a phased and controlled way to address the issue of procurement of major projects, the transition costs of the Pay and Rewards project, to smooth the effect of the demands on annual budgets and for continuing support to the Capital Programme.

B. 2009/10 – issues identified during the budget

The Council has agreed a risk management policy statement which sets out our approach to the identification, assessment, and management of risk we face in the delivery of services. Our aim is to link this with the service and policy planning framework as part of an annual cycle. In terms of 2009/10 budget, the key issues identified were:-

- Pressures in Adult Services – in particular transition from childhood to adulthood, and the increasing numbers of the frail elderly.
- Building Schools for the Future – creation of team and procurement costs.
- Waste Disposal, LATS penalties and the need to invest in additional recycling facilities, including potential GM partnership.
- Job Evaluation, Pay and Grading Review and Equal pay – all these processes have potential to create further pressures on the Council.
- Capital Receipts in support of the capital programme are forecast to all but disappear over the next few years.
- The Manchester Airport dividend is currently not included in the 3 year forecast although a dividend which amounts to £1.0m for Wigan has just been approved by the Shareholders of the Airport (this is down by £0.3m on last year).
- Procurement costs of the Waste Disposal project
- The effect of the recession on the Council eg the loss of investment income and income from fees and charges associated with house sales and economic activity.

C. Further budget issues identified since March 2008 and in 1st Monitoring report

The first budget monitoring reports for 2009/10 have already identified a number of budget pressures particularly in CYPs Looked after Children budgets (+£4m) and Adult Services mainly on the transition of children into adult social care services but also on demographic pressures related to elderly people (+£2.5m). These are very much related to the areas outlined in the risk assessment made as part of the 2009/10 budget outlined above.

Manchester Airport have declared a dividend worth £1.0m to Wigan Council. This will be received in August and will help to relieve some of the pressures which the Council is facing.

On the Capital Programme, the lack of capital receipts means that support from revenue balances is required to maintain a programme of adaptations for disabled persons and capitalised repairs of Council buildings.

D. Forecast Spend, Council Tax and Balances

1. Basis of calculation

In updating the financial forecast the starting point is the budget requirement for 2009/10. From this has been removed the forecast of the incremental changes (pay, inflation and

other growth) to schools and central budgets which will be supported by the Dedicated Schools Grant (DSG). This budget will be developed separately alongside of the Forecast and then matched to the DSG once known. (Any interaction with the General Fund will be identified as part of this process – for instance the requirement for schools to make increased contributions to the internal insurance arrangements in the light of their claims experience).

From this starting point the budget has been uplifted for estimated inflation and adjusted for any non-recurring items of expenditure and income in 2009/10.

Certain known items of committed growth and variations have also been included. Other pressures are identified in the report and will be considered as part of the Cabinet scrutiny process. Provision for general (as yet unspecified) growth has been omitted from the forecast.

The following inflation assumptions have been made for the forecast from 2010/11 onwards.

	2010/11	2011/12	2012/13	2013/14	2014/15
Employees	%	%	%	%	%
Pay including NI	1.00	2.00	2.00	2.00	2.00
Superannuation	1.00	1.00	1.00	1.00	1.00
Non Employees					
Prices	0.75	1.75	2.25	2.75	3.00
Income	1.50	1.50	1.50	1.50	1.50
Gas	-8.20	10.00	0.00	0.00	0.00
Electricity	-34.90	10.00	0.00	0.00	0.00
PTA Levy	5.00	5.00	5.00	2.00	2.00
Leisure Trust	1.50	1.50	1.50	1.50	1.50
Waste Disposal / Refuse					
Collection	28.10	3.00	4.00	2.00	2.00
Waste Disposal LATS	20.00	16.70	14.30	12.50	11.10
External Funding :-					
Grant Income assumptions	3.14	1.00	1.50	1.50	2.00
Council Tax Rise %	2.00	2.00	2.00	2.00	2.00

- **Pay**

The current pay offer of 0.5% for 2009/10 is 1.5% below budget provision. A conservative view of future pay awards is included within the forecast.

- **Energy costs**

Separate inflation factors have been applied to specific commodities. These assumptions will be revisited with better intelligence (opportunities for further fixed price contracts etc.). Much depends on the progress of international events affecting energy supplies and prices. However it is apparent that as current estimates were based upon information available in the winter it is now known that prices have been fixed at a lower level for the current period. This explains the drop in the energy inflation above. It is however an increasingly difficult area to predict with any high level of confidence.

- **Inflation on income**

For the forecast a constant rate of 1.5% across the 5 year forecast has been agreed. This will be agreed on an annual basis at the time budgets are set.

- **Inflation on Landfill Tax**

Included in the forecast are large inflationary increases in respect of rises in the rate of Landfill Tax by £8 / tonne in each of the years of the forecast. By the end of the 5 year forecast in spite of the planned reduction in the amount of waste tipped into landfill sites LATS penalties will have more than doubled from around £4m to £9m per annum.

- **Pay and Rewards Costs**

The overall costs of the Pay and Rewards project are included within the forecast. This will necessitate savings of £1m per annum and support of £13.7m over the 5 year implementation period.

- **Formula Grant**

For 2010/11 the Formula Grant figures are those announced by the Minister of State for Local Government in respect of the final settlement for 2008/09. For 2011/12 onwards a reduced figure has been agreed which recognises that more stringent settlements are likely but also reflects the fact that inflationary pressures will still exist and will start to grow during the plan.

- **Council Tax base**

The latest figure available for the Council Tax base is included for 2010/11. For future years no increase is assumed. This is because it is felt at this stage that market conditions will lead to an increase in voids and a drop in collection rates. This will inevitably impact upon the tax base over the currency of the plan.

It is also assumed that there will be no surpluses on the Collection Fund.

- **Savings Required**

The indicative figures for **savings required** (including those previously agreed as part of the last budget challenge) **to arrive at a 2% Council Tax rise are :-**

£7.3 million per annum over the 5 year plan.

Balances have been used to smooth the impact of savings required from one year to another. This amounts to a requirement to deliver just under 3% savings year on year up until 2015.

These figures will undoubtedly change as the budget forecast develops and spending plans, including addressing the financial risks discussed in this report, are evaluated and incorporated with your approval. The increased need for savings is largely driven by structural imbalance in the Council's budget in that income (Council Tax and Government Grant) is not expected to keep pace with the growth of other pressures (particularly on Social Care but also on environmental issues such as Waste Disposal).

Addressing the pressures in the plan.

The Council has teams engaged in work on identifying and realising corporate efficiencies. A summary of the work being carried out is as follows :-

(i) *AGMA Collaborative efficiency programme*

Customer contact and Social Needs transport were identified as two areas that could deliver considerable savings around £1.6 million and £1.3 million respectively. Not all of these however would be cashable and the Managers involved are currently evaluating the level of savings anticipated. My expectation is that the cashable figures would be significantly lower than the £2.9 million identified in the reports.

(ii) *Fundamental Reviews*

There are two reviews directly being carried out in this area on Children in care placements and Aids and Adaptations. The initial review should be completed by August and any reduction in cost identified then.

(iii) *Departmental Reviews*

In addition to this Environmental Services are reviewing the Fleet/ Vehicle Management Service and the Highways Maintenance function. These were reviews identified by the fundamental review team as areas where efficiencies could be found but the department had already begun to examine this area. The savings made in these areas could be used to offset the budget requirement

(iv) *Procurement Activity*

A review of the current programmed procurement exercises for 2010/11 will if delivered achieve £290,000 savings on print management and telecoms equipment.

The current level of activity in these areas will not at present bridge this gap.

(v) *Budget Challenge process*

We could revisit this process and look to identify savings over the next three years to balance the predicted deficit in each year. This could be allied to the full programme of the above reviews and be built into the plan by September

(vi) *Capital Programme*

We worked hard to reduce the capital programme deficit from £18 million earlier in the year. However we still have a commitment to fund the programme from balances. A decision to halt this approach would reduce the pressure on balances by £9million over the period.

2. Reserves

Appendix 1 sets out the forecast for spending, council tax and balances for 2010/11 to 2014/15. The Local Government Act 2003 placed duties on local authorities that reinforce sound financial management. When an authority is deciding on its annual budget and council tax level it will have to take into account a report from its chief financial officer on the robustness of the budget and the adequacy of the authority's reserves. The Government has a back up power to impose a minimum level of reserves on an authority that was making inadequate provision. Authorities will be under a duty to monitor their budgets during the year, and consider what action to take if a deterioration is identified.

As Members will know the Government and Audit Commission (in the Use of Resources Assessment) rightly place great emphasis upon the level of balances. Whilst they may have given indicative guidance in the past at about 5% the Commission will not take an absolute position. It remains therefore a matter of professional judgement on which I am required to

formally advise you. It can be argued that excessive balances are an opportunity cost to the taxpayer – either more spending on services could have taken place or Council Tax increases could have been less (or a combination of both). On the other hand balances earn interest and provide an internal funding source for the capital programme instead of more expensive external borrowing. Balances which are too low put the organisation at risk if unexpected financial demands appear and in extreme conditions may require spending to be frozen, Section 114 reports to be issued and productive energies diverted from service delivery to retrenchment and service cuts.

The level of balances projected at the start of the plan is £28.6m (14% of net budget). This relatively high level reflects a review of provisions, reserves and balances and also prudent financial management and control in the past. This level of balances will allow the Council to support the Capital Programme through current lean times and will also allow the Council to procure and support a number of its major projects; BSF Pay and Rewards and Waste Disposal to name 3.

The Council has worked on a minimum 5% level of balances as its target for many years and has in that time contained many “ups & downs” of financial problems – both internally and externally driven. We have a good record of bringing in expenditure (in aggregate) below budget and have used the flexibility of balances to enhance services, deal with the “emergency” situations and provide valuable additional funding to the capital programme when necessary.

To assist with the process of assessing the adequacy of balances, an objective approach is taken which assesses the risks facing the Council and their potential impact on balances. This is set out at Appendix 2. In this technique the main risks have been identified and a value placed on them. The analysis supports the view that projected balances are at a reasonable level over the period of the first 3 years of the MTFP. By the 4th and 5th years balances start to slip below the level indicated by the Risk Assessment. It is therefore necessary to take this into account as the plan is developed during the coming budget process. However in terms of the next 3 years (generally considered to be an adequate financial planning horizon for Local Authorities) balances are considered to be sufficient.

Therefore in conclusion my judgement is that over the medium term the Council should aim for the level of balances set out in the MTFP. This reflects the use of balances to deal with the procurement of major projects prepared and to smooth any tax increases over the medium term.

The table below is an updated position from the 1st budget monitoring report and analyses the projected out turn of balances to March 31st 2010.

		£'m
Balances 1 st April 2009		43.122
Commitments	Contribution to 09/10 budget	-1.647
	Funding carried forward to 2009/10 (see below)	-8.949
Predicted outturn variation	(from 1 st quarter monitoring report)	-3.882
Predicted balances 31 st March 2010		28.644

E. Council Objectives for 2009/10 onwards

The Council's priorities for improvement are set out in the Corporate Plan and are linked to high level objectives. At this stage of the budget process a number of service pressures have been identified and are set out below. For this report after each pressure a note is placed to show whether or not the value of the pressure is reflected in the MTFP (under consideration at today's meeting) :-

Objective - Helping people reach their full potential – including a good start in life for every child and young person, care and protection when life is difficult , healthier and happier lifestyles.

- Looked after Children (included in updated MTFS)
- Transition of children to adulthood social care (included in updated MTFS)
- Demographic pressures caused by aging population (not included).
- Building Schools for the Future (Estimated procurement costs only included – any affordability issues on wider project are assumed to be found within DSG rather than CT and RSG resources)
- Youth Services

Objective - Strong Communities Leadership - including a place where people respect and value their different backgrounds and get on well together, enriching people's lives through leisure, sporting and cultural activities,

- The Council continues to work closely with the Leisure Trust on a number of Strategic projects including Leigh Sports Village, the Joint Service Centre, the Parks and Open Spaces Strategy and other initiatives identified under Getting Wigan Active. The overall impact of these projects both on the Council's Capital and Revenue resource position as well as the Leisure Trust is under close and continuous review and is taken account of in the Medium Term Plan.

Objective - Places people want to live in - including a strong modern economy offering a good standard of living for everyone, people living in decent, affordable homes of their choice, living in a place where you feel safe, improving local facilities, the infrastructure and environment

- Waste Disposal Strategy (included in updated MTFS)
- Affordable Housing Project(s) The Council is working in partnership with Wigan and Leigh Housing, the Housing Corporation and Adactus Housing Association to create affordable housing for sale and rent in Wigan over a 10 year plan. (may be a need for further resources dependant upon bidding processes)
- Passenger Transport Authority Levy – additional infrastructure levy (additional 3% for 3 years included in updated MTFS)

Internal Drivers – including high standards of corporate governance and accountability, excellent service performance and effective support for services

- Joint Service Centre (Wigan Life Centre) (included in updated MTFS)
- Support Services Review Continuing Savings (included in updated MTFS)
- Payroll/HR project
- Wider Service Reviews (not included in plan)

F. Carry forwards, Growth and Revenue Savings

1. Carry forwards from 2008/09

Cabinet are asked to formally approve the following carry forwards :-

	£'000
<i>"Auto" carry forwards :-</i>	
IT Investment Account	2,148
Brighter Borough	551
Highways Maintenance	785
Twin (Township) Wards	90
	<hr/> 3,574
<i>Other</i>	
Working Neighbourhoods Fund	5,375
	<hr/>
Total	<u>8,949</u>

Other underspendings are being discussed with Executive Directors. In the current economic climate it is suggested that a general policy of minimising carry forward approvals would seem reasonable but individual cases are often quite complex and so require further discussion.

2 Revenue Savings

A commitment has been made by the Council to peg Council Tax increases at a maximum of 2% year on year over the period of the current 3 year settlement. There was also an intention to review this in light of service pressures and also an intention to keep council tax increases within retail price inflation. This is currently well below the Government's capping limit of "substantially below 5%" and whilst above the rate of inflation enables the service pressures which are demand led, rather than cost driven, to be met for the residents of the Borough, the plan assumes 2% year on year as the level of increase in each of the 5 years.

The indicative savings targets required to achieve this are set out above. (These include previously agreed savings). Any additional growth to the budget would need to be offset by compensating expenditure reductions to keep the Council Tax calculation constant. You may consider however that these are minimum reductions and that in view of continuing service pressures in Adult Services and CYPS, the required efficiency savings for meeting Gershon targets and the general uncertainties caused by the economy and there is a need to go further.

If the Council objectives remains that Council Tax rises at no more than 2%, then with current inflation and expected formula grant (known for 2011/12) and estimated at a 1% uplift in 2012/13, there is a continuing need to find cashable efficiencies and these are required throughout the life of the plan.

Alternative approaches have been previously discussed such as not automatically providing the cost of increments (this has now been implemented and whilst it has saved £1 million on the budget it is likely that underspends on staffing which have been enjoyed in previous years will be curtailed and therefore balances will not benefit), moderating inflation provisions (which would count as a Gershon efficiency) by cash limiting less strategic budgets such as general supplies and services to offset other pressures. This was carried out for the 2009/10 budget and £0.5m was saved.

However it is felt that to tackle the pressures facing the Council that the fundamental reviews which are being carried out will have to deliver significant savings. There will be a drive for

greater efficiency but in addition this process may ultimately result in difficult decisions for the Council in terms of choices about service provision.

Clearly your debate will be shaped and informed by the better certainty we can bring to the risk issues because

- They cannot be passed on to the Council Tax payer (because of capping) and,
- The Government is unlikely to offer any additional funding solution.

In considering budget plans departments will need to be clear on the links with corporate objectives and ensure that proposals tackle community need and reduce inequalities.

3 Growth/reprioritising available resources

The plan contains the deliberations for dealing with growth and reductions over the 2 years 2009/10 and 2010/11 which were carried out as part of the 2008/09 budget process. In 2009/10 a different approach was carried out to deliver efficiencies (as outlined above). It is recommended that a suite of approaches is taken for the next year's budget with departments asked to plan on the basis of a growth and reduction scenario – accommodating service pressures within a suggested budget envelope but also taking account of fundamental service reviews, procurement efficiencies and collaborative approaches to service delivery (for example joint commissioning with the Ashton Leigh and Wigan PCT).

4. Performance Reward and Area Based Grant

It is assumed for the purposes of the plan that PRG and Area Based Grant are budget neutral. Officers led by the Deputy Chief Executive supporting the Local Strategic Management Group of Wigan Borough Partnership have recently evaluated the impact of the end of the NRF programme. This has led to some projects being mainstreamed, with the remainder either commissioned through the Working Neighbourhood Fund (WNF) or decommissioned.

It is important to note that in the first quarter monitoring report the level of spending on the WNF budget is £1.9m underspent. Whilst there are expectations that spending will pick up during the year members will be aware that some £5.4m underspending was brought forward from 2008/09. In the light of current difficulties this is an area which may offer some assistance to the overall funding difficulties faced by the Council.

G. Capital Investment Strategy

As already indicated the medium term plan contains the revenue consequences of all new programmed major investments that have already been approved for inclusion in the Council's Capital Investment programme. In addition the forecast is refined to reflect the changing costs of all previous borrowings, provision for debt repayment and fall out of debt where appropriate. This approach ensures that the revenue forecast and the Capital Investment Strategy are linked and that both continue to reflect the financial consequences of service priorities as stated in the Corporate Plan. In recent years the Council has started to repay and in some cases replace PWLB loans which were taken out in the early to mid 1980's when interest rates (fixed for the term of 25 year loans) were running at 10% plus. The replacement of that debt has been and is expected to at lower interest rates and this has significantly assisted the MTFP over the period of the plan.

During the 2009/10 budget process very significant actions were taken to reduce the potential deficit on the capital programme from £18m to a situation where £6m was required from balances to support the programme. This included a £1m saving on Highways Revenue Repairs being reserved to balances as a device to support the underwriting of the

capital programme deficit. This is ongoing in the MTFs. Without this balances would fall to unacceptably low levels. In this plan the total support to the Capital Programme from balances stands at £8.8m. This reflects the additional years covered by the plan and an assumption that Capital Receipts will start to recover in 2012/13 and will have returned to former levels by 2014/15. The Capital Strategy Management Group will keep this area under review and suggest to Cabinet any further corrective action which may be required as over the longer term this approach would not be sustainable.

Capital financing charges will be further reassessed in the light of these changing circumstances and changes will be introduced to the forecast at the next refresh in the autumn.

It is felt that an update on the Council's major projects would be helpful to Members :-

- The **JSC** PFI agreement was financially closed in June, within budget projections. Assuming property related budgets may be released as planned to support the JSC then there will be no further call on this plan.
- **Aids & Adaptations** - There continues to be a lack of capital receipts to support this project. It is the subject of a fundamental review.
- **BSF** - Funding of £8.2m (including 2009/10) is set aside from balances to cover the procurement of this project. Affordability issues are not covered by this plan.
- **Waste Disposal** - The transition of Waste Disposal to a likely shared arrangement with the Greater Manchester Waste Disposal Authority is contained within the plan. On current estimates this will result in present costs of c£9m including Landfill taxes doubling by 2014/15, to £18m. It is assumed that by 2014/15 Landfill Taxes will be in the order of £9.2m despite reductions in tonnage tipped.
- **Affordable Housing** - The Council is likely to bid for further resources to carry out Affordable Housing projects. It is likely that if successful further pressures will arise. These are not contained within the plan.
- **Leigh Sports Village** – the project has been badly hit by the recession in terms of income generation. Support is currently contained within this plan, but will need to be reviewed during the plan period. An officer strategic commissioning group is considering how best to enhance our use of the site to maximise outcomes. Discussions on the governance structure and the future of the commercial sites are continuing with partners, but there remain a number of outstanding lease issues with individual clubs which have proved difficult to resolve.

H. Risk Assessment

These forecasts are a snapshot of the expected budget position over the next three years. They will, by their nature, change and will need to be updated on a regular basis. There are certain changes that will occur but at present it has not been possible to quantify them. The list below indicates these current areas of uncertainty.

- The budget monitoring reports for 2009/10 have already identified a number of budget pressures particularly in CYPs and Adult Services very much related to the areas outlined in the risk assessment made as part of the 2009/10 budget outlined above. The structural budget pressures in these service delivery areas require a longer term strategy to address the funding problem. The budget forecast has taken into account these pressures at this stage although actions to contain the pressures are being developed so that a clear indication of the real additional budget investment required net of any alternative service delivery efficiencies may be known.

- It is assumed that Manchester Airport will not declare a dividend payment during the currency of this forecast beyond the current year. In the light of continuing economic uncertainty it is felt that this is the correct accounting treatment of the dividend.
- Insurance claims – it is assumed that the current Insurance Provision will be sufficient to meet any liability claims arising.
- Superannuation – as already explained the increase in employers' contributions previously agreed in the 2008/09 budget has been reflected to 2009/10 per the triennial review. In addition a further 1% per year has been added to the forecast over the period of the plan.
- Equal Pay, as at this stage last year whilst substantial payments have already been made there remains the possibility of individual litigation and grievances.
- Demographic change – estimates of the impact of falling schools rolls will be factored into the separate construction of the schools budget to be met by DSG. An examination of the forecast trend in the elderly population indicates an increasing number of individuals in the 85+ category who may become dependent upon Social Services. These pressures would need to be quantified in any growth bid for Adult Services elderly clients.

Office of National Statistics Forecast of population in Wigan

Age Group	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
65+	29,300	30,200	31,000	32,600	33,800	34,600	35,200
75-84	15,200	15,600	15,900	16,400	17,000	17,600	18,300
85+	5,000	5,100	5,200	5,300	5,300	5,400	5,500
TOTALS	49,500	50,900	52,100	54,300	56,100	57,600	59,000

As mentioned above an exercise has been carried out to assess the adequacy of balances. The plan as it stands shows that after 3 years balances will be adequate to cope with the kind of problems which may arise, eg increased inflation, a loss of capital through bank failure or some other disaster. The plan envisages a gradual and measured release of reserves to deal with the procurement of major projects, the introduction of the pay and rewards project and support to the capital programme. It is felt that beyond 2012/13 further measures may be required to ensure balances remain healthy enough to deal with unexpected events.

Members will appreciate that there is a necessary distinction between using balances for one off events or support to temporary projects versus using them to support the ongoing budget process (beyond utilisation to smooth large movements in costs or income from one year to another).

I. Conclusions and Recommendations

The first forecast shows that if your objective of achieving a 2% Council Tax is to be met then service reductions/efficiencies savings are required of £7.2m per annum over the period of the plan.

Members are requested to indicate the parameters for the scenarios on which Strategic Management Team will plan the 2010/11 budget based on this initial forecast.

Members are requested to consider the recommendations outlined in section F(1) above for carry forwards.

		ESTIMATE 2010/11		ESTIMATE 2011/12		ESTIMATE 2012/13		ESTIMATE 2013/14		ESTIMATE 2014/15	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CYPS	Child & Adolescent Mental Health Service		21					0		0	
CYPS	Carers		22					0		0	
CYPS	Public Law fees		100					0		0	
CYPS	Looked after Children	3,800		600		600		600		600	
CYPS	Home to school transport		500		-200		-100				
Adult Health and Well-being	Transition of Children to Adulthood		1,600								
Adult Health and Well-being	Social Care Reform		316		-1634		0	0		0	
Adult Health and Well-being	Adult Social Care Workforce		31				0	0		0	
Adult Health and Well-being	Carers		87				0	0		0	
Adult Health and Well-being	Learning Disability Development Fund		-1				0	0		0	
Adult Health and Well-being	Mental Capacity Act / Independent Mental Capacity Advocate Scheme		-8				0	0		0	
Adult Health and Well-being	Mental Health		51				0	0		0	
Adult Health and Well-being	Preseved Rights Grant		-34				0	0		0	
Adult Health and Well-being	LSV Office Accommodation for Adults Services						0	0		0	
Adult Health and Well-being	LD Campus Closure		50								
Building Stronger Communities	Grounds Maint. Increased contribution to HRA		50		50		50		50		50
Building Stronger Communities	Private Rent Proposals - Requires extra staff						80				
Economy, Environment, Culture and Housing	Waste Management						2275		2521		337
Economy, Environment, Culture and Housing	Waste Strategy		-4		372		-56		746		-230
Economy, Environment, Culture and Housing	Adjustment to Waste Budgets		-405		-217						
Economy, Environment, Culture and Housing	Loss of Income on Car Parks						0				
Economy, Environment, Culture and Housing	Highways Maintenance budget						0				
Audit & Governance	AGMA Capacity Sub-Regional						0				
Audit & Governance	Municipal Elections (none in 2009)		190					-190			190
Audit & Governance	Impact of Carbon Trading		330		-330						
Audit & Governance	JE Staff budget		-238								
Audit & Governance	Reduction in Land Charges Income		-150				0		0		0
Audit & Governance	Joint Service Centre - fees				-50		0		0		0
			9,611		-1,719		2,749		4,027		1,097
PROPOSED NEW GROWTH											
Overall	3 Year Budget Challenge Growth		1,137		500		-		-		-
			1,137		500		0		0		0
VARIATIONS TO BUDGETS			10,748		-1,219		2,749		4,027		1,097
Economy, Environment, Culture and Housing	Waste Disposal - landfill Tax volume reduction										
Overall	Fall out of deferred purchase										
Overall	Direct Revenue Funding of Capital Programme deficit		1,439		4,100		2,500		1,250		-
Overall	Fall out of debt with non accrued interest										
			1,439		4,100		2,500		1,250		0
TRANSFERS TO / FROM BALANCES AND RESERVES											
	Equalisation of Savings	-	1,468		1,486		- 682		- 1,851		2,471
	Balances to support Direct Revenue Funding of Capital	-	1,439		4,100		- 1,961		- 1,250		-
	Balances to support revenue	-	3,300		2,150		- 1,050		- 350		500
			-6,207		-4,764		-3,693		-3,451		1,971

	ESTIMATE 2010/11		ESTIMATE 2011/12		ESTIMATE 2012/13		ESTIMATE 2013/14		ESTIMATE 2014/15	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
3 Year Budget Challenge Efficiency Savings		-1,981		-1,044				0		0
Add: Efficiency savings required via 09/10 Budget Challenge Process		-4,319		-5,256		-6,300		-6,300		-6,300
BUDGET REQUIREMENT		246,155		249,747		254,070		258,470		263,639
YEAR ON YEAR INCREASE IN BUDGET REQUIREMENT		6,289		3,592		4,323		4,400		5,169
% increase		2.6%		1.4%		1.7%		1.7%		2.0%
GRANT INCOME										
Previous year's base for RSG and NNDR		129,031		133,081		134,412		136,428		138,474
Add: Adjustments to the base		-32		0		0		0		0
Revised base funding		128,999		133,081		134,412		136,428		138,474
Add: Uplift		4,082		3,327		3,360		3,411		3,462
Total revised RSG and NNDR		133,081		134,412		136,428		138,474		141,244
COLLECTION FUND SURPLUS										
COUNCIL TAX REQUIREMENT		113,074		115,336		117,642		119,995		122,395
Year on year increase		2,217		2,261		2,307		2,353		2,400
% increase		2.00%		2.00%		2.00%		2.00%		2.00%
Estimated tax base		95,775		95,775		95,775		95,775		95,775
Council Tax		£1,180.62		£1,204.24		£1,228.32		£1,252.89		£1,277.94
Ready reckoner										
Amount Required for 2.0% increase		0		0						
1% council tax rise - raises		1,108,551		1,130,741		1,153,356		1,176,423		1,199,952
£1 million on the budget - gives a percentage rise of		0.90%		0.88%		0.87%		0.85%		0.83%
£1 million on the budget - amount per Band D		£10.44		£10.44		£10.44		£10.44		£10.44
Revenue Balances position		2010/11		2011/12		2012/13		2013/14		2014/15
		£'000		£'000		£'000		£'000		£'000
Anticipated starting point		28,644		21,879		16,170		11,791		8,479
Less overspend in 2009/10										
Proposed usage (capital programme)		-1,439		-4,100		-1,961		-1,250		0
Reassessment of Insurance Reserve		1,750		1,750		1,750		1,750		274
Use for revenue		-3,300		-2,150		-1,050		-350		-500
Equalisation of Savings		-1,468		1,486		-682		-1,851		2,471
Use to support major project procurement.		-2,308		-2,695		-2,436		-1,611		-1,691
Position at end of year		21,879		16,170		11,791		8,479		9,033
Bellwin threshold (emergency support)		492		499		508		517		527
Balances above Bellwin threshold		21,387		15,671		11,283		7,962		8,506
Expenditure (Budget requirement less addition to balances)		252,362		254,511		257,763		261,921		261,668
Less :-										
<i>PTA Levy</i>		20,633		21,665		22,748		23,203		23,667
<i>Leisure Trust Funding</i>		17,138		17,395		17,656		17,921		18,190
Underlying operating costs		214,591		215,451		217,359		220,796		219,811
Balances as a % of underlying operating costs		9.97%		7.27%		5.19%		3.61%		3.87%
Minimum balances		10,730		10,773		10,868		11,040		10,991
Above (-) or below (+) minimum		-10,657		-4,898		-415		3,078		2,485

RISK ANALYSIS to establish MINIMUM LEVEL OF RESERVES MTFP 2010/11 to 2014/15

	Total Risk £000	Margins Contained		Minimum Level £000	Basis of calculation/description
		Management Action £000	Base Budget £000		
1. Assumptions in Budgets					
1.1 Treasury Management assumptions - Interest Rate variations	250	250		0	Interest rates in budget reduced to 0.5%. No expectation that rates will go lower.
1.2 Insurance	0	0	0	0	Any shortfall would be made good from internal premiums over a period of time.
1.3 Capital receipts	2,500	2,375	0	125	Loss of Capital Receipts recognised via asupport to Capital Programme - Cost would be interest on borrowing.
1.4 Pay Inflation	1,500	0	0	1,500	Expected settlements 09/10 and 10/11 are lowere than budgeted/planned. Overall plan therefore contains risk up to 2012/13 of 1% variation. This represents a further 1% variation in 2013/14
1.5 Net inflation excluding pay and LATS	8,200	4,100	0	4,100	Average no Pay, NON LATS inflation - Net increase of 1% over the 5 years - Mngt action would be inflationary rise in income.
Sub-total	12,450	6,725	0	5,725	
2. Emergencies					
2.1 General/Bellwin - based on £5m disaster	1,164	0	0	1,164	Govt pays 85% of disaster costs above threshold of 0.2% annual budget
2.2 General Recovery Costs	1,000			1,000	
2.3 Loss of Investments from Bank Failure	5,000	2,500		2,500	Average Balance with individual Banks (Risk is ameliorated but not extinguished by Treasury management policies). Management Action is recovery of loss via litigation.
Sub-total	7,164	2,500	0	4,664	
3. Budget Robustness					
3.1 Provision for slippage in budget savings/	1,000		0	1,000	
3.2 Job Evaluation	13,700	13,700	0	0	Provided in balances
Sub-total Robustness	14,700	13,700	0	1,000	
MINIMUM LEVEL	34,314	22,925	0	11,389	