
Foreword from the Director of Corporate Services – Resource Directorate

The Financial Plan contains the budget that the Council has agreed for 2012/13. It also contains the Medium Term Financial Plan 2012/13 to 2014/15.

We are one of the largest local authorities in the country with a population in excess of 300,000 and more than 140,000 residential properties and a yearly gross budget of almost £824 million.

The Financial Plan is divided into three sections. Section one provides an overview of the revenue budget and contains details of the budget process. Section two sets out the capital plans and section three provides a Medium Term Financial Plan.

The Council considers control of the budgets to be critical to the management of the overall finances of the Council. The Chief Officers are accountable for delivering the services within the allocated budgets. The Council allows Chief Officers maximum flexibility in the use of budget virement and delegated responsibilities in order to manage departmental budgets within overall cash limits and in compliance with the concepts of Value for Money.

This process is underpinned by the submission of regular monthly budget monitoring statements to Heads of Service and budget monitoring reports to the Executive Cabinet, distinguishing between budgets under direct control and those which are centrally allocated. This process allows earlier recognition of budgetary problems and corrective action to mitigate identified overspendings.

It is hoped that external readers of this document will find the information presented here helpful in understanding the Council's finances, the Council's budget process set against the national scene, the way in which financial resources are allocated between the competing demands of the services and between the various inputs of staff, premises, transport etc. within budgets for 2012/13.

Despite facing the significant challenges of increasing cost pressures and having to generate efficiencies, whilst maintaining front line services during the economic downturn, my thanks go to my dedicated team of finance staff who have worked hard to produce the budget for 2012/13, and to colleagues in other departments who have helped in the process.

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Service Director - Corporate Services

Section 1

The Revenue Budget

In setting a balanced budget over the three years of the Medium Term Financial Plan requires the delivery of £43m savings. This is likely to worsen particularly after the Chancellor's autumn statement where it was alluded to that further austerity measures would be likely.

The decision to accelerate the savings plan particularly in back office efficiencies and deliver them over two years rather than three will provide the opportunity, in line with the corporate strategy, to refocus resources towards early intervention and prevention.

It is proposed to utilise some of the funds created to invest in the introduction of an apprentice scheme, in line with the National Graduate Trainee Scheme, which would be available to Wigan residents.

Clearly forecasts are less robust and contain more risks the further they look forward. In the current climate this is truer than ever before. The events of 2010/11 and the requirement to change budgets significantly in year illustrated how quickly things can change. In 2011/12 the council responded well and has been able to react to those difficulties.

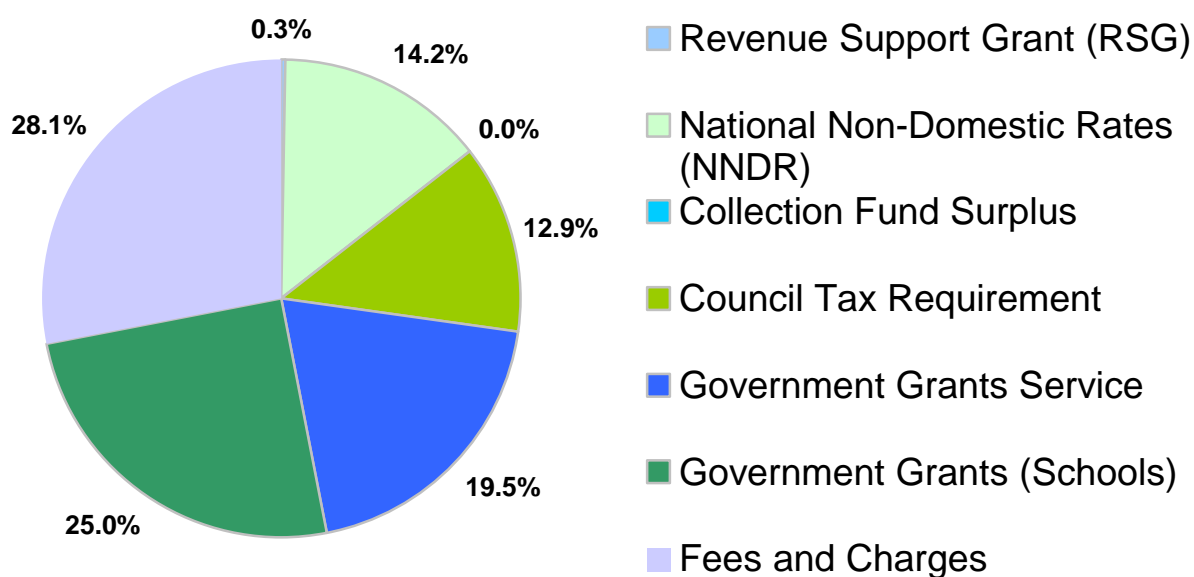
This forecast therefore contains assumptions based upon any available intelligence, consultation with fellow finance professionals and our own professional judgement about what may happen. Risks have been identified and exemplified wherever possible.

Inevitably the assumptions in this forecast will ultimately be superseded by information which emerges over time.

Where the money comes from

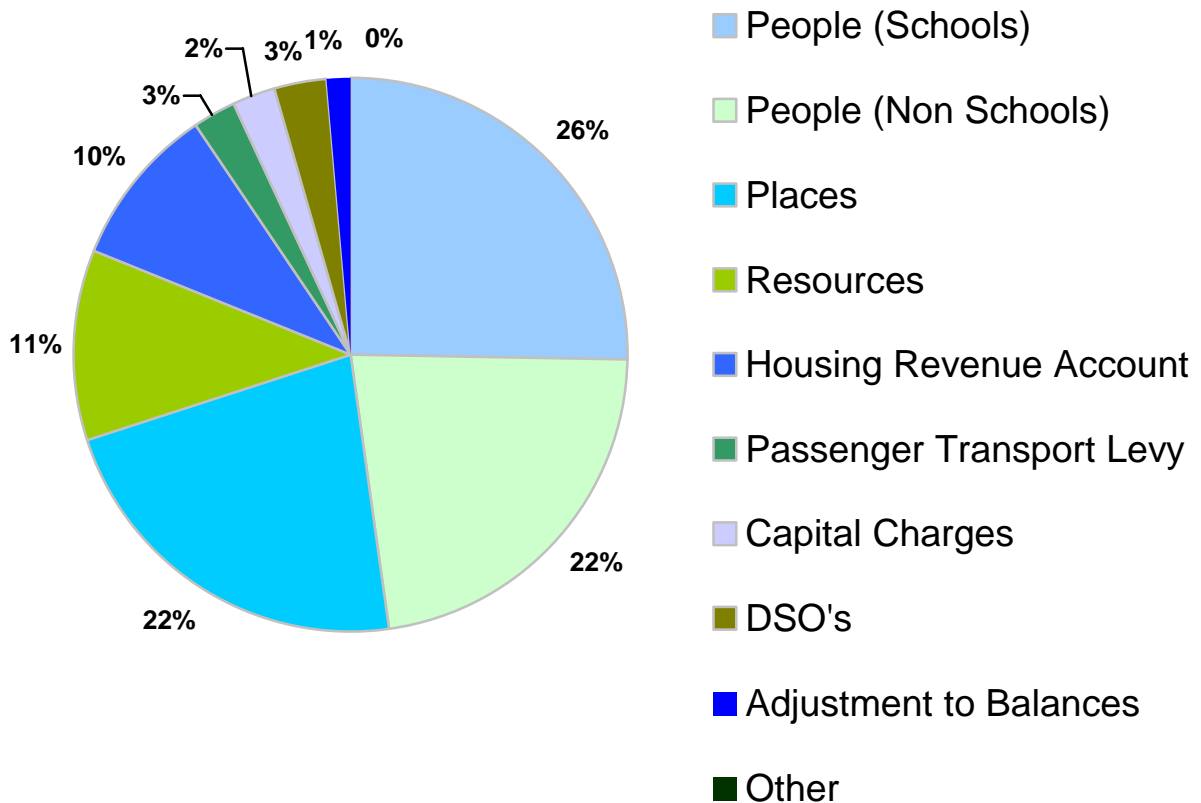
The Council funds its services from a number of sources. The main funding streams that the Council receives are shown here:

| | £000s |
|------------------------------------|----------------|
| Revenue Support Grant (RSG) | 2,424 |
| National Non-Domestic Rates (NNDR) | 125,028 |
| Collection Fund Surplus | 0 |
| Council Tax Requirement | 113,517 |
| Government Grants (Service) | 172,207 |
| Government Grants (Schools) | 220,535 |
| Fees, Charges and Recharges | 247,634 |
| Total | 881,345 |



What Wigan Council Spends the money on

| | £000s |
|---|----------------|
| People (Schools) | 223,421 |
| People (Non Schools) | 197,433 |
| Places | 196,871 |
| Resources | 96,022 |
| Housing Revenue Account | 84,108 |
| Passenger Transport Levy | 22,368 |
| Capital Charges | 21,458 |
| Internal Direct Service Organisations (DSO) | 27,271 |
| Adjustment to Balances | 11,241 |
| Other | 1,152 |
| Total | 881,345 |



Council Tax

The Council has not increased its Council Tax for 2012/13. Results from an online consultation produced by the Council on the Budget for 2012/13 showed that 80% of respondents said they thought it was correct to freeze Council Tax.

It was therefore approved by members to accept the additional one off council tax freeze grant offered by the Government. The grant is the equivalent of a 2.5% rise in Council Tax. For Wigan, this means that it will receive a grant of £2.8m.

Council Tax is a charge levied on properties. Each property is placed in one of eight bands, A to H, based upon its April 1991 valuation. Band D is commonly quoted as this represents the average value across the country, although the majority of Wigan properties fall within bands A and B.

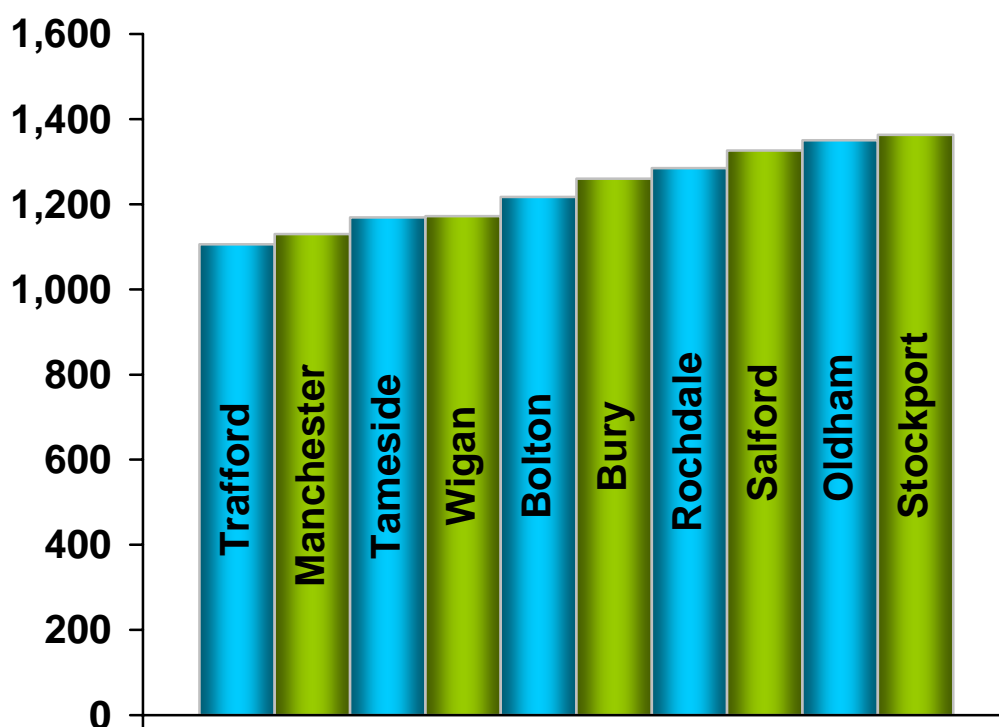
The Council Tax for a property consists of a number of components for the various services provided to the household. The total Council Tax consists of an element for Wigan Council and amounts for the Police and the Fire and Rescue authorities (known as precepting authorities).

| | Total £000s | Band D Equivalent £ |
|---|----------------|---------------------------|
| Wigan Council Net Budget Requirement | 240,896 | 2,488.03 |
| Less: Revenue Support Grant | 2,424 | 25.03 |
| National Non-domestic Rates | 125,028 | 1,291.32 |
| Collection Fund Surplus | 0 | 0.00 |
| Wigan Council element of Council Tax | 113,444 | 1,171.68 |
| Add: Gtr Manchester Police Authority | 13,974 | 144.33 |
| Gtr Manchester Fire & Rescue Authority | 5,098 | 52.65 |
| Total Council Tax | 132,516 | 1,368.66 |

The table below shows the amount of Council Tax payable at each of the statutory valuation bands into which properties have been placed by the District Valuer, together with the number of properties in each Band. In calculating its tax base, the Council amends these property numbers for expected new builds, demolitions, single person discounts, properties adapted for the disabled and estimated losses on collection (1%). Valuations which are controlled by the Government Valuation Office were made in 1991.

| Band | Valuation | Council Tax £ | No. of properties |
|------|----------------------|------------------|----------------------|
| A | Up to £40,000 | 912.44 | 66,791 |
| B | £40,001 to £52,000 | 1,064.51 | 30,999 |
| C | £52,001 to £68,000 | 1,216.58 | 22,895 |
| D | £68,001 to £88,000 | 1,368.66 | 11,487 |
| E | £88,001 to £120,000 | 1,672.80 | 5,578 |
| F | £120,001 to £160,000 | 1,976.95 | 1,767 |
| G | £160,001 to £320,000 | 2,281.10 | 580 |
| H | Exceeding £320,000 | 2,737.32 | 50 |

This graph compares Wigan's total Band D Council Tax for 2012/13 with the equivalent for the other Greater Manchester Authorities.



Service Budgets

The Council is structured into 3 Directorates – People Directorate, Places Directorate and Resources Directorate.

The Revenue Estimate for each of the Directorates are shown below along with the Housing Revenue Account (HRA):

People Directorate

| Expenditure and Income | 2011/12 estimate £ | 2012/13 estimate £ |
|------------------------------|--------------------------|--------------------------|
| Employees | 254,399,255 | 231,704,068 |
| Premises related expenses | 19,401,440 | 17,482,703 |
| Transport related expenses | 5,758,605 | 4,297,890 |
| Supplies and services | 25,245,216 | 27,296,671 |
| Third party payments | 95,751,631 | 97,400,928 |
| Transfer payments | 7,540,675 | 8,080,179 |
| Support services | 29,050,817 | 26,465,714 |
| Capital charges | 8,976,828 | 8,126,642 |
| Total expenditure | 446,124,467 | 420,854,795 |
| Grants and contributions | -264,682,274 | -251,691,330 |
| Rents/fees | -22,645,607 | -20,763,608 |
| Recharges | -19,272,393 | -17,848,728 |
| Contribution from Reserves | 0 | -1,850,911 |
| Total income | -306,600,274 | -292,154,577 |
| | | |
| Total net expenditure | 139,524,193 | 128,700,218 |

Places Directorate

| Expenditure and Income | 2011/12 estimate £ | 2012/13 estimate £ |
|------------------------------|--------------------------|--------------------------|
| Employees | 20,136,642 | 21,419,704 |
| Premises related expenses | 4,142,108 | 3,902,962 |
| Transport related expenses | 3,863,282 | 7,528,838 |
| Supplies and services | 4,501,180 | 5,119,867 |
| Third party payments | 36,433,658 | 31,890,550 |
| Transfer payments | 80,530,790 | 104,231,020 |
| Support services | 15,474,166 | 12,735,436 |
| Capital charges | 11,946,093 | 10,042,608 |
| Total expenditure | 177,027,919 | 196,870,985 |
| Grants and contributions | -86,585,990 | -106,211,527 |
| Rents/fees | -10,800,687 | -11,867,477 |
| Recharges | -10,052,602 | -11,668,566 |
| Contribution from Reserves | 0 | -32,565 |
| Total income | -107,439,279 | -129,780,135 |
| | | |
| Total net expenditure | 69,588,640 | 67,090,850 |

Resources Directorate

| Expenditure and Income | 2011/12 estimate £ | 2012/13 estimate £ |
|------------------------------|--------------------------|--------------------------|
| Employees | 27,366,161 | 24,958,689 |
| Premises related expenses | 6,757,534 | 6,606,141 |
| Transport related expenses | 414,349 | 398,503 |
| Supplies and services | 16,034,600 | 23,047,799 |
| Third party payments | 483,136 | 484,584 |
| Transfer payments | 24,132,456 | 24,132,456 |
| Support services | 15,350,620 | 14,622,754 |
| Capital charges | 2,394,177 | 1,771,484 |
| Total expenditure | 92,933,033 | 96,022,410 |
| Grants and contributions | -25,996,282 | -34,839,400 |
| Rents/fees | -8,018,520 | -7,437,501 |
| Recharges | -41,940,785 | -38,379,620 |
| Total income | -75,955,587 | -80,656,521 |
| | | |
| Total net expenditure | 16,977,446 | 15,365,889 |

Housing Revenue Account (HRA)

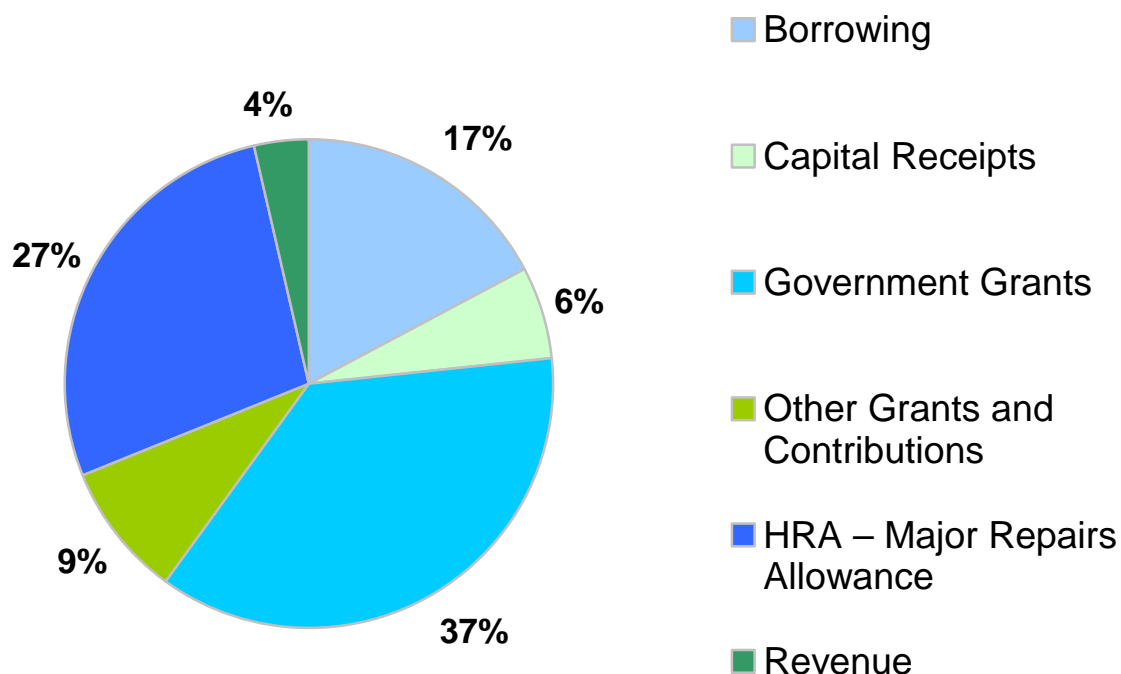
| Expenditure and Income | 2011/12 estimate £ | 2012/13 estimate £ |
|--|--------------------------|--------------------------|
| Repairs & Maintenance | 24,700,000 | 23,500,000 |
| Supervision & Management | 14,542,962 | 13,687,122 |
| Special Services | 4,073,747 | 3,863,340 |
| Rents, Rates & Other Charges | 888,275 | 888,275 |
| Interest Charges | 12,624,376 | 19,000,000 |
| Debt Repayment & Non interest costs | 14,204,691 | 20,892,274 |
| HRA Capital Expenditure | 3,900,500 | 1,377,000 |
| Debt Management Costs | 50,000 | 100,000 |
| Provision for Bad Debts | 400,000 | 800,000 |
| Total Expenditure | 75,384,551 | 84,108,011 |
| Dwelling Rents | 73,377,248 | 79,424,000 |
| Non Dwelling Rents | 633,815 | 633,815 |
| Charges to Tenants, Leaseholders & Others | 1,581,285 | 1,599,472 |
| Contributions towards expenditure | 2,309,123 | 2,270,724 |
| Government Grants | -7,793,190 | 0 |
| Interest on HRA investments | 50,911 | 80,000 |
| Transfers from GF / MRR | 225,359 | 0 |
| Total Income | 70,384,551 | 84,008,011 |
| | | |
| Deficit / Surplus (-) | 5,000,000 | 100,000 |
| Balance Brought Forward 1 st April | -9,000,000 | -6,500,000 |
| Balance Carried Forward 31st March | -4,000,000 | -6,400,000 |

Section 2

The Capital Programme

The Council operates a Capital Programme which is monitored on a 5 year rolling basis. The programme of works planned for 2012/13 amount to some £62.6m. The following shows how the £62.6m is funded and provides an analysis of the major schemes.

| Where the money comes from | Total £000s | % |
|--------------------------------|----------------|------------|
| Borrowing | 10,851 | 17 |
| Capital Receipts | 3,776 | 6 |
| Government Grants | 22,856 | 37 |
| Other Grants and Contributions | 5,697 | 9 |
| HRA – Major Repairs Allowance | 17,100 | 27 |
| Revenue | 2,333 | 4 |
| Total | 62,613 | 100 |



Borrowing

Government departments provide support for capital expenditure as capital grants to directly support capital expenditure or through the Relative Needs Formula (RNF) as revenue support for borrowing.

The Council is free to set its own borrowing limits subject to the Prudential Code.

Proposals for the use of unsupported borrowing are based on a business case approach, where revenue savings or additional revenue income will be sufficient to pay for the borrowing costs.

The Council produces a capital strategy and an Asset Management Plan (AMP) every year. The capital strategy is a high level summary of the Council's approach to capital investment and the AMP details the Council's approach to asset management over a seven year period.

Major Projects

Examples of the projected key capital projects that the Council will be involved in during 2012/13 include:

| | | £000s |
|-----------------|---|--------|
| People Services | 14 to 19 Centres | 6,370 |
| | Standards Fund – Community/Voluntary Controlled | 3,064 |
| | New Deal for Schools Modernisation | 4,036 |
| | Basic Needs – extensions to schools | 5,603 |
| | Capital Maintenance Funding | 5,385 |
| Places Services | LSM Busway | 1,500 |
| | Disabled Facilities Grants | 1,500 |
| | Structural Maintenance Roads & Bridges | 2,588 |
| | Vehicle Replacement Programme | 3,000 |
| | Mesnes Park Restoration | 2,300 |
| Housing | Achieving Decent Homes | 17,700 |
| | Disabled Adaptation Council Dwellings | 2,300 |

| Summary Panel | Capital Expenditure Forecast | | | | | | |
|------------------------------------|------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Total Cost | Previous Years | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| People Directorate | | | | | | | |
| Children & Young People | 164,329.1 | 106,531.1 | 15,868.8 | 10,795.9 | 25,133.3 | 6,000.0 | 0.0 |
| Adult Services | 32,891.0 | 29,436.7 | 1,023.8 | 1,309.0 | 1,121.5 | 0.0 | 0.0 |
| Total People Directorate | 197,220.1 | 135,967.8 | 16,892.6 | 12,104.9 | 26,254.8 | 6,000.0 | 0.0 |
| Places Directorate | | | | | | | |
| Environment (Roads) | 74,417.5 | 40,324.5 | 7,524.0 | 9,972.5 | 7,053.5 | 7,042.0 | 2,501.0 |
| Environment (Other Services) | 41,322.0 | 28,568.2 | 745.4 | 5,493.1 | 3,505.1 | 3,010.2 | 0.0 |
| Housing (Other) | 34,544.6 | 22,585.0 | 5,708.8 | 4,550.8 | 1,700.0 | 0.0 | 0.0 |
| Housing (HRA) | 264,352.5 | 61,518.5 | 19,637.0 | 20,314.0 | 20,000.0 | 24,100.0 | 19,700.0 |
| Regeneration | 1,751.6 | 883.6 | 352.6 | 515.4 | 0.0 | 0.0 | 0.0 |
| Culture | 9,767.9 | 3,603.1 | 1,364.1 | 2,017.7 | 2,500.0 | 283.0 | 0.0 |
| Total Places Directorate | 426,156.1 | 157,482.9 | 35,331.9 | 42,863.5 | 34,758.6 | 34,435.2 | 22,201.0 |
| Resources Directorate | | | | | | | |
| Corporate | 49,676.2 | 37,192.7 | 2,204.6 | 5,478.9 | 1,600.0 | 1,600.0 | 1,600.0 |
| Total Resources Directorate | 49,676.2 | 37,192.7 | 2,204.6 | 5,478.9 | 1,600.0 | 1,600.0 | 1,600.0 |
| | | | | | | | |
| Total Spend | 673,052.4 | 330,643.4 | 54,429.1 | 60,447.3 | 62,613.4 | 42,035.2 | 23,801.0 |

Section 3

The Medium Term Financial Plan

This update of the three year financial strategy is based upon experience and the latest available information. The Chancellor in his autumn statement signalled that the poor economic forecast would likely mean that the period of cuts in Local Government would last longer than originally anticipated. This means that beyond 2012/13 the council potentially faces further cuts in excess of the those currently planned.

As part of the overall planning of the medium term strategy individual service pressures have been excluded. What this means in practice is that directorates will plan for and manage pressures within their respective service areas. The only exception is the recognition of significant pressures within Adult Care Services with some £3.6m provided to alleviate some of the pressures identified.

The forecast is developed to recognise risk where it is known and readily quantifiable but in the current climate this is extremely challenging. The following areas have been identified as a potential financial risk but have not as yet been fully quantified as the value is uncertain:

- Sustainability of Wigan residential care fees base
- Implications for schools of changes to the National Funding Formula and Standards Fund
- National review of the Housing Subsidy System and also the operation of the Housing Revenue Account.
- Adverse changes to Insurance claims
- Superannuation and Pay
- Equal Pay
- Localisation of council tax benefit from 2013/14
- Demographic change
- Consultation on supporting families in the foundation years
- Localisation of Business Rates
- Procurement of the waste collection and disposal
- Council Tax Capping

Ultimately the council mitigates against these risks by retaining adequate levels of balances.

| Medium Term Financial Strategy 2012/13 to 2014/15 | Estimate 2012/13 £000s | Estimate 2013/14 £000s | Estimate 2014/15 £000s |
|--|------------------------------|------------------------------|------------------------------|
| Overall Costs | | | |
| Previous Year's Net Budget Requirement (adjusted for any balance transfers) | 272,081 | 254,698 | 247,276 |
| Inflationary Uplift | 5,098 | 5,483 | 5,596 |
| Other Growth and Savings – variation to Budgets | -22,481 | -12,905 | -1,279 |
| Transfer to / from (-) Balances | 11,241 | 9,524 | 0 |
| Revised Budget | 265,939 | 256,800 | 251,593 |
| Funded by: | | | |
| Grant Income | 152,495 | 140,520 | 132,407 |
| Council Tax | 113,444 | 116,280 | 119,186 |
| Total External Revenue Funding | 265,939 | 256,800 | 251,593 |
| | | | |
| Council Tax (Band D equivalent £) | £1,171.68 | £1,200.97 | £1,230.99 |
| Savings Required | | | |
| Total savings required with above inflation and CT assumptions (£'000) | 24,241 | 18,766 | 0 |
| Proportion of Revised Budget (%) | -9.1% | -7.3% | 0% |
| Revenue Balances Position – anticipated starting point | 8,913 | 16,069 | 22,205 |
| Flowing into balances: reassessment of Insurance Reserve | 1,750 | 1,750 | 274 |
| Flowing into balances: benefit of accelerated savings delivery / use for revenue | 11,241 | 9,524 | 0 |
| Contingency | -5,000 | -5,000 | -5,000 |
| Use to support major project procurement | -835 | -138 | 0 |
| Revenue Balances Position – at end of year | 16,069 | 22,205 | 17,479 |