

WIRRAL COUNCIL

CABINET

10 FEBRUARY 2015

SUBJECT	REVENUE BUDGET 2015/18 AND COUNCIL TAX LEVELS 2015/16
WARD/S AFFECTED	ALL
REPORT OF	ACTING SECTION 151 OFFICER
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1 EXECUTIVE SUMMARY

- 1.1 This report updates the Budget Projections for 2015/16 to 2017/18. It outlines the issues and actions in relation to the Forecast Budget Funding Gap.
- 1.2 Budget Council is scheduled for 24 February 2015. Council has to agree a Budget and set the levels of Council Tax for 2015/16 by 10 March 2015.

2 BACKGROUND AND KEY ISSUES

BUDGET PROJECTIONS AS AT 9 DECEMBER 2014

- 2.1 The Overview Of The Council's Future Financial Position report to Cabinet on 9 December 2014 updated the previous Medium Term Financial Strategy and covered the period 2015/18. This provides the context in which the budget decisions are being made. The projections indicated a forecast net funding deficit over the 3 year period of £70 million.
- 2.2 Whilst the Government have made no announcements regarding funding levels beyond 2015/16 the Council projections are an assessment of the impact of the changes based on Government announcements and plans for public expenditure within which Local Government is not a protected area. The funding reductions started in 2010 are expected to continue beyond 2017/18. It is possible that the current projections of grant reductions may be underestimated.

Table 1 : Summary of the Budget Funding Gap

Funding Gap	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m
Forecast Expenditure (including demographic changes)	275	277	264	
Forecast income (including reduced grants)	257	250	239	
Forecast Funding Gap	18	27	25	70

SAVINGS

- 2.3 In setting the Budgets for 2013/14 and 2014/15 Council agreed £20.1 million of savings which impact upon 2015/16 and £1.2 million which impact upon 2016/17. The Budget Funding Gap in Table 1 shows the gap remaining as these savings have previously been agreed.
- 2.4 The Council undertook a Future Council consultation programme from 8 September 2014 to 31 October 2014 as the Council sought to make savings of £18 million in 2015/16. The Future Council project had identified potential savings of £15.5 million through changes and efficiencies which would not require public consultation and the consultation programme included £3.7 million of potential options. The findings were reported to Cabinet on 6 November 2014.
- 2.5 Cabinet on 9 December 2014 agreed £2.4 million of savings options from the consultation which with £15.5 million of efficiencies totalled £18 million. This was confirmed by Council on 15 December 2014. This included the assumption that the Council would be able to freeze Council Tax levels for 2015/16 but was dependent upon the terms of the Local Government Finance Settlement and the Government Council Tax Freeze Grant.

Table 2 : Summary Of Agreed Savings – By Date

Details	2015/16	2016/17	2017/18
	£m	£m	£m
Budget 2013/14 - Mar 2013	7.4	-	-
Budget 2014/15 - Dec 2013	12.7	1.2	-
Budget 2015/16 - Dec 2014	2.4	1.3	-
Budget 2015/16 - Efficiencies	15.5	0.6	-
Total	38.0	3.1	-

- 2.6 The degree and scale of change to deliver £38 million of savings in 2015/16 represents a significant challenge to successfully implement whilst maintaining the delivery of services. There has been a review of all savings taking account of any detailed consultation, the status of delivery plans and the inter-action with other services, particularly those of a cross-cutting nature.
- 2.7 The review confirmed the totality of the savings and identified that there are some risks associated with the delivery in 2015/16. Progress on delivery will be monitored through the Financial Monitoring arrangements. These include the reports to Cabinet which are scrutinised by the Chief Executive Strategic Leadership Team. Recognising the risk that there may be delays in the implementation of savings the General Fund balances contain £7 million to act as mitigation against the risk of non-delivery of savings in year as one off funding. The savings are detailed in Appendix 1 (which includes those with an impact on 2016/17).

2.8 In respect of 2016/17 and 2017/18 the information provided as part of the Future Council programme is being reviewed to identify potential efficiencies, the potential income from Council Tax and Business Rates as well as from fees and charges are being further reviewed as well as developing further the progress made in respect of investigating and pursuing alternative delivery models. Clearly with the continuing decrease in available funding difficult decisions will have to be made to successfully deliver the Corporate Plan aims whilst meeting statutory responsibilities. The Corporate Plan for 2016/17 to 2018/19 is to be formulated and then considered by Cabinet / Council in July 2015. This will be supported by the updated Medium Term Financial Strategy which will detail the proposals to address the forecast funding gap.

Table 3 : Summary of Agreed Savings - By Directorate

Description	2015/16	2016/17	2017/18
		£m	£m
Families and Wellbeing	22.2	2.0	-
Regeneration and Environment	3.0	1.0	-
Transformation and Resources	3.5	0.1	-
Corporate / Efficiencies	9.3	-	-
Total	38.0	3.1	-

GROWTH ITEMS

2.9 The Budget Projections for 2015/16 included an assessment of growth arising from demographic changes, inflationary rises and agreed options. All Strategic Directors and Chief Officers identified potential growth bids that were reviewed by the Chief Executive Strategy Group and by internal challenge as to their validity and justification.

2.10 The agreed growth bids are detailed at Appendix 2. These have been accepted where increased demand is placing uncontrollable pressure on safeguarding services for Adults and Children's Services and other services where the Council has a contractual obligation to fulfil. For completeness this includes items of a corporate nature which are held as a central liability such as for future pay awards, the potential impact of national insurance changes and the future revaluation of the Merseyside Pension Fund.

2.11 Measures to protect the vulnerable, tackle inequality and drive growth in the economy were included in the Cabinet resolution in December, which was approved by Council. This growth also includes Prevention and support for vulnerable families (£0.5 million) and Housing (£0.25 million). Both areas having been funded through the Community Fund set up by the Council / Wirral Partnership Homes following the transfer of the Council housing stock in 2005. This provided a time-limited source of funding which is now coming to an end and the Council has sought to continue these services.

Table 4 : Summary of the Growth

	2015/16	2016/17	2017/18
	£m	£m	£m
By change			
Demographic	2.3	2.3	2.3
Other	1.5	2.3	-
Inflation	1.8	1.7	1.6
Total	5.6	6.3	3.9
By Directorate			
Families and Wellbeing	4.3	3.6	3.7
Regeneration and Environment	0.9	1.3	0.2
Transformation and Resources	0.4	1.4	-
Total	5.6	6.3	3.9
Corporate Growth	5.1	10.4	10.2

- 2.12 The growth items identified for 2015/16 are £0.4 million below the growth included within the Budget Projections so this sum is presently unallocated. As part of preparations for 2016/17 and 2017/18 an initial review of the anticipated growth has been undertaken. At this stage there are items for which there is uncertainty such as the future of the Government Grants. These projections will be revisited as part of the review alongside the Corporate Plan in July 2015.

INCOME FROM FEES AND CHARGES

- 2.13 All fees and charges are reviewed as part of the Annual Budget setting process and a Directory of Council Fees and Charges is maintained on the Council web-site.
- 2.14 Directorates have examined their fees and charges for the 2015/16 financial year and set them according to the circumstance of their services. No general inflationary increase has been applied. Any changes, including new charges and those linked to an agreed saving, have been incorporated into the Directory with changes in income targets reflected in the 2015/16 budget. Appendix 3 provides more detail. Some charges are subject to review and consultation including care services and charges for leisure and cultural service activities.
- 2.15 Cabinet is asked to note the Directory and give Delegated Authority to the Acting Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2015.

- 2.16 Cabinet is also being recommended to agree that Council gives delegated authority to the relevant Portfolio Holder and Strategic Directors with the Director of Resources / Acting Section 151 Officer to increase existing fees and charges.

LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)

- 2.17 The Provisional LGFS was announced on 18 December 2014 and the consultation closed on 15 January 2015. The Final Settlement is anticipated to be received before this Cabinet meeting.
- 2.18 The Provisional Settlement sees Wirral's main grant reducing by £24 million in 2015/16. In 2014/15 Wirral received total main grant funding of £87 million and for 2015/16 the announced amount is £63 million. This reduction is in line with the assumptions in the Budget Projections and reflects the Consultation document issued by the Government in July 2014. The only difference being a further £0.3 million reduction in 2015/16. At this stage the Government has made no detailed announcements regarding 2016/17.
- 2.19 In 2013/14 and 2014/15 the Government provided a grant to fund the Local Welfare Assistance responsibility transferred to local authorities from the Department for Work and Pensions. There is no Government grant for 2015/16. However the Provisional Settlement includes an indicative amount of £1.2 million for spend in this area but no funding.
- 2.20 The Budget is based upon the Provisional Settlement and therefore may change. In relation to the Council Tax Freeze Grant this is expected to continue for 2015/16 at 1% of the adjusted Council Tax Base for 2013/14. Council Tax rises of 2% are expected to be subject to a Referendum. These will both be confirmed in the Final Settlement.
- 2.21 For 2015/16 the New Homes Bonus Grant has increased by £0.8 million which is £0.3 million higher than included in the Council Budget projections. The ring-fenced Public Health grant has been confirmed for 2015/16 as £28.2 million. This will increase from October 2015 when responsibility for the Public Health of Children aged 0-5 transfers to local authorities. The use of the Public Health grant in 2015/16 was detailed in the report to Cabinet on 15 January 2015.
- 2.22 The most significant changes are in the area of Social Care and the progression of the Care Act. Government support for the impact of the Care Act for 2015/16 is £2.1 million and spend at that level has been included within the Council Budget for 2015/16. From July 2015 the responsibility for the Independent Living Fund transfers to the Council from the Department of Work and Pensions. Additional funding will be received and at this stage the indicative costs are in the region of £ 1.8 million per year and it is anticipated that this funding will be allocated to the Fund.

- 2.23 From April 2015 a Better Care Fund pooled budget arrangement will be in place with Wirral CCG and will operate under Section 75 joint governance arrangements. A condition of accessing the money in the Fund is that spend must be in line with the jointly agreed spending plans and these plans must meet certain requirements. The Wirral Fund for 2015/16 amounts to £33.4 million comprising existing Wirral CCG and Wirral Council funding. The Council funding includes Disabled Facilities Grant (£2.1 million), Social Care Capital Grant (£1 million) and the NHS Social Care Transfer Grant (£6.7 million). It is still to be agreed which partner will host the pooled fund.
- 2.24 Following the Supreme Court ruling in March 2014 all local authorities have been faced with additional pressures in respect of the Deprivation of Liberty safeguards. No additional funding has been provided from the Government.

LEVIES

- 2.25 Formal notification is awaited from the Merseyside Recycling and Waste Authority and the Merseyside Transport Authority of the levies for 2015/16. Both bodies are meeting during February and have indicated that they will not be increasing the overall Merseyside levy. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Authority reflects relative tonnages and the Transport Authority reflects relative populations.
- 2.26 The Transport Authority has indicated that, subject to approval, the Wirral levy for 2015/16 will reduce by £3.2 million. This reflects efficiencies achieved by the Authority which benefit the constituent authorities and incorporates the grant funding provided to supporting the provision of strategic bus routes across the area. The Council was projecting a grant of £2.3 million in 2015/16 so the net benefit is £0.9 million. As the grant funding was not previously permanent the Budget Projections for 2016/17 included the loss of grant which will no longer be the case.
- 2.27 The Waste Authority has indicated that the progression of the Waste Management & Recycling and the Resource Recovery Contracts has the potential to generate additional income from the sale of surplus capacity but only in the medium term. For 2015/16 the indications are that the levy will be held at 2014/15 levels although this is subject to approval. As referred to above the levy apportionment is based on relative tonnages and this could see Wirral's levy increase by £0.4 million in 2015/16.
- 2.28 The Waste Authority released the Waste Development Fund to constituent authorities during 2014/15. The use of this 'one-off' is subject to compliance with conditions set out in a Memorandum of Understanding and discussions regarding the interpretation and potential usage are on-going. Worth £6.7 million to Wirral the Council Budget included the allocation of £0.4 million to support Street Cleaning over the financial years 2014/15 and 2015/16.

PENSIONS

- 2.29 The Merseyside Pension Fund was subject to the triennial valuation in 2013. The actuarial assessment determines both the Contribution Rates for Employers and the Deficit Recovery Payments for the financial years 2014/15 to 2016/17. The next valuation is due in 2016 and will impact upon the payments for 2017/18 to 2019/20.
- 2.30 Contribution rates have been set at 13.6% from 2014/15 being based upon payroll costs and numbers employed so will vary with reductions in the workforce. The Deficit Recovery payments are a separate element subject to annual increases as the recovery is deferred over three years but is fixed in that it does not vary with changes to employee numbers over the period.

Table 5 : Pension Fund Increased Costs

Description	2014/15	2015/16	2016/17
	£m	£m	£m
Deficit Recovery	8.8	9.2	9.6
Less : Budget 2013/14	-7.4	-7.4	-7.4
Increase on 2013/14 figure	1.4	1.8	2.2
Pension Contribution increase	1.4	1.4	1.4
Total Increased Costs	2.8	3.2	3.6

- 2.31 The annual increase of £0.4 million for 2015/16 and 2016/17 is within the Budget Projections and an indicative sum to reflect the impact of the next triennial valuation of £2.5 million has been included for 2017/18.

CAPITAL AND INVESTMENTS

- 2.32 The Capital Programme and Financing report on this agenda details the process followed in order to determine the Programme. Revised and new submissions for inclusion in the Programme were assessed having regard to the regular re-profiling reported to Cabinet so attention was paid to the planned phasing of spend for the new submissions. The report concludes that the Programme can be accommodated from existing borrowing and the present, and projected, capital receipts.
- 2.33 As in previous years the Treasury Management Monitoring report has highlighted the low returns from investments given the current economic position. Therefore the Council has sought to use internal borrowing in lieu of external borrowing which in the short-term realises financial benefits. This further reduces the income from investments.
- 2.34 The realisation, and use, of significant capital receipts during 2015/17 will enable the Programme to be funded from a combination of grants, capital receipts and internal borrowing thereby achieving £1.7 million Capital Financing efficiency savings for 2015/16 and 2016/17.

COUNCIL TAX

- 2.35 Cabinet on 9 December 2014 agreed the Council Tax Base for use in 2015/16. This takes the actual number of properties which are adjusted for the Local Council Tax Support Scheme and other Council Tax Discounts, Exemptions and Disabled Relief and then converted to a Band D figure and then by the Collection Rate to give the Council Tax-Base.

Table 6: Wirral Council Tax Band D calculation 2015/16

Band	Band Value £000	Actual properties at Nov	Equivalent properties at Nov	Ratio to Band D	Net Band D equivalent
A	<40	59,158	32,705.5	6/9	21,803.7
B	40-52	31,869	24,105.3	7/9	18,748.6
C	52-68	27,174	22,776.4	8/9	20,245.7
D	68-88	13,200	11,644.8	9/9	11,644.8
E	88-120	8,070	7,352.1	11/9	8,985.9
F	120-160	4,225	3,888.5	13/9	5,616.7
G	160-320	3,078	2,882.7	15/9	4,804.5
H	>320	264	227.6	18/9	455.2
Band A Disabled (1/9 th of Band A)			73.9	5/9	41.0
Total		147,038	105,656.8		92,346.1
Collection Rate					x 96.75%
Adjusted Council Tax-Base					89,344.9

- 2.36 The Government has announced that a Council Tax Freeze Grant will be available for 2015/16 for Councils which freeze Council Tax levels in 2015/16. This is the equivalent of a 1% Council Tax rise, based upon the 2013/14 levels, and for Wirral equates to £1.3 million. It is stated that this will be built into the base funding for the life of the Spending Review so is payable for 2015/16.
- 2.37 If the Council agreed to increase Council Tax the Government has again imposed the requirement for a Council Tax Referendum. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2014/15 and 2015/16 (includes levies). Formal confirmation will be part of the Final Settlement.
- 2.38 Cabinet / Council in December 2014 announced that the assumption was that Council Tax levels would be held at 2014/15 levels for 2015/16 and the Council, as in 2014/15, would accept the Government Council Tax Freeze Grant. This was subject to the outcome of the Local Government Finance Settlement. A Council Tax rise provides a permanent recurring income to the Council. The acceptance of the Council Tax Freeze Grant for 2015/16 is presently built into the Budget Projections.

Table 7 : Council Tax Options

Options	Income	
	£m	£m
Tax Rise of 2%	2.2	
Less Local CTax Scheme protected from rise	-0.5	1.7
Tax Rise of 1.5%	1.7	
Less Local CTax Scheme protected from rise	-0.4	1.3
No Tax Rise		
Accept Freeze Grant (1% of 2013/14 Tax Base)		1.3

BUSINESS RATES

- 2.39 The Local Government Finance System changed from 1 April 2013 and billing authorities retain a proportion of locally raised business rates and either pay a tariff or (as in Wirral's case) receive a top-up to ensure a comparable starting position with the previous funding system.
- 2.40 Business Rates is a particularly complex and volatile tax area that can fluctuate due to a number of reasons including:
- Appeals against rating decisions. Dealt with by the Valuation Office Agency and can be large and backdated a number of years.
 - Changes in liability relating to changes in occupancy.
 - Changes in building use.
 - Alterations to buildings size and layout.
 - Demolitions and new builds.
 - Actions to avoid full liability inc empty property and charitable reliefs.
 - Assessment of bad and doubtful debts.
- 2.41 A declaration of an estimated surplus or deficit for the 2014/15 financial year together with a forecast for 2015/16 must be submitted to the Government by 31 January 2015. Business Rates are managed through the Collection Fund with any surplus / deficit being allocated to Central Government 50%, to Wirral Council 49% and to Merseyside Fire and Rescue 1%.
- 2.42 Whilst presenting opportunities this area brings additional risks to the Council's financial position because of its complexity and volatility. The declaration has an increased importance because the forecast income to the Council has to be reflected in the Council Budget. In completing the declaration the reasons highlighted above have been a key factor and there has been liaison with the Department for Communities and Local Government over amendments to the declaration and clarification sought over entries particularly relating to the Enterprise Zone. The declaration was submitted on 30 January 2015.

- 2.43 The forecast Business Rates income for 2015/16 shows that the receipts to the Council will increase by £1.3 million from the 2014/15 levels. This reflects the anticipated inflationary increases as well as an assessment of growth as reflected in the Budget Projections for 2015/16.
- 2.44 Since the introduction of the new system from April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate local authorities for these decisions the Government has allocated Councils a Section 31 Grant. For 2015/16 the increase in Grant provides funding of £0.2 million in excess of that anticipated in the Budget Projections.

LEVEL OF GENERAL FUND BALANCES

- 2.45 Sound financial management principles require that sufficient funds are retained by the Council to provide a stable financial base at all times. To retain this stable financial base the Council needs to maintain a General Fund balance that is sufficient to provide a financial reserve for unanticipated expenditure and/or expenditure that is of an unforeseen, emergency nature.
- 2.46 The level should be based on the Council's own specific circumstances. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the Accounting Code). The report to Cabinet on the 2014/15 budget on 12 February 2014 detailed the approach and Appendix 4 has the calculation updated.

Table 8 : Summary Of The Assessed General Fund Balances

	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m
Assessed at February 2014	17.3	15.4	13.9	
Assessed at February 2015	17.3	17.4	17.3	17.0

- 2.47 The increase from the earlier projections reflects the risks associated with the implications for the Council from the Care Act from 2015/16 onwards and also the ever-increasing challenges to deliver savings and efficiencies.
- 2.48 The latest Monitoring Report (December 2014 - Month 9) showed the projected balance at 31 March 2014 to be £16.7 million. This is based on a projected overspend of £0.8 million for which work to reduce / eliminate this overspend continues so the revised target is achievable.

Table 9 : Summary Of the Projected General Fund Balances

Details	£m	£m
Projected balance 31 March 2015 in Budget 2014/15		+17.3
Add : Additional New Homes Bonus received 2014/15	+0.2	
Less: Potential overspend, at Month 9	-0.8	
Projected balance 31 March 2015		16.7

REVIEW OF RESERVES

- 2.49 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. The monthly Monitoring reports presented to Cabinet include reference to resources held on the Balance Sheet in the form of balances and reserves.
- 2.50 Resources set-aside for specific purposes as reserves should be established and used in accordance with the purposes intended. These are reviewed at least twice a year including in preparation for the 2015/16 Budget and the outcome is detailed in Appendix 5.

Table 10 : Categories of Reserves

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc
RE-MODELLING Support Future Council which includes costs of investment to deliver future savings and one-off workforce reduction costs
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services
SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes when the grant is received and spend incurred in the following year such as Public Health, Supporting People and Troubled Families and were the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements

- 2.51 In 2013/14 the Remodelling Restructuring Reserve was created to provide funding to support the delivery of the Council Vision. It is used to meet the cost of any additional investment as well as costs associated with workforce changes. This Reserve will be partially used during 2014/15 with commitments carried into 2015/16. As the Council is faced with continuing reductions in resources this Reserve is to be increased through the transfer of the Collection Fund surplus 2014/15 of £3.7 million and the release of £2.8 million of reserves by Directorates as no longer being required.

ROBUSTNESS OF THE ESTIMATES

- 2.52 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Acting Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves.
- 2.53 Appendix 6 sets out the requirements and the actions taken by the Council in relation to the Robustness of both the Revenue Estimates and the Capital Programme. The Annex contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

SETTING THE COUNCIL TAX LEVELS

- 2.54 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council has to calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2015/16 is not excessive meaning that a Referendum is not necessary.
- 2.55 The Statutory Calculations are to form part of the Cabinet recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2015/16 with that for 2014/15 for the Council's basic amount of Council Tax. The Provisional Local Finance Settlement 2015/16 indicated that the referendum 'trigger' will be 2%.
- 2.56 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2015/16.

3 RELEVANT RISKS

- 3.1 The Government has indicated that the austerity measures outlined in the Spending Review for 2011/15 will continue until at least 2018. This was confirmed in the Spending Review 2014 and in the Autumn Statement on 3 December 2014.

- 3.2 One of the key elements in the Budget is the achievement of agreed savings. A number are reliant upon consultation with other bodies and groups; involve reductions in staffing following remodelling of the Council or through revised Commissioning and Procurement. These may take longer than anticipated to deliver which is reflected in the level of balances and the savings profiling element. Management action to monitor delivery takes place monthly.
- 3.3 The changes to the financing of Local Government in April 2013 included the introduction of retained Business Rates. Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to the safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the authority. These risks can be mitigated through a combination of the operation of the Collection Fund and the General Fund balances. The latter comprising both a specific Business Rates Reserve and General Fund balances.
- 3.4 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The approach adopted is to determine the level of General Fund balances as part of setting the Annual Budget. It is based on local circumstances having regard to an assessment of risk. Both Grant Thornton (the Council's External Auditor) and CIPFA (the professional body) have issued guidance which supports the approach.
- 3.5 The Robustness Statement required under Section 25 of the LGA gives an assurance regarding the deliverability and sustainability of the Estimates as well as the adequacy of the level of reserves and balances.

4 OTHER OPTIONS CONSIDERED

- 4.1 The Budget position collated in this report represents the result of a wide range of available option, based upon detailed and assessed assumptions, to produce a robust Budget.

5 CONSULTATION

- 5.1 The Future Council consultation ran from 8 September 2014 to 31 October 2013 and engaged with Elected Members, employees of the Council, businesses, residents, service users and local groups as well as targeted consultation with specific groups of residents or service users. The findings were reported to Cabinet on 6 November and 9 December 2014.
- 5.2 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

6 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 The Financial Monitoring reports presented to Cabinet in respect of Revenue and Capital report on the management of the approved budget including the delivery of previously agreed savings.

7 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 Where budget options recommend a reduction or removal of a public service, discussions take place with appropriate alternative service providers to ascertain if the impact would result in increased demand for services from the alternative providers. This includes voluntary and community sector groups and organisations.

8 RESOURCE IMPLICATIONS

- 8.1 The Budget Projections 2015/18 indicated a shortfall between spend and resources of £70 million. This formed the base position for identifying any actions to address the Budget gap.
- 8.2 The Budget projections for 2015/18 as detailed in Table 1 have been revised to incorporate the updates contained in Section 2. The updated position shows that there is presently a surplus resource of £0.9 million available for 2015/16. However the projected Budget Gap for 2016/17 and 2017/18 remain. This will be subject to change as the Government has only issued the Provisional Local Government Finance Settlement for 2015/16 and no indicative figures for future years.

Table 11: Summary of the Budget Funding Gap at January 2015

Funding Gap	2015/16	2016/17	2017/18
	£m	£m	£m
Funding Gap 9 December 2014	18	27	25
Savings Agreed	-17.9	-3.1	-
Growth	-0.4	-	-
Provisional LG Finance Settlement	+0.3	-	-
New Homes Bonus	-0.3	-	-
Levies	-0.4	-	-
Business Rates / Section 31 Grant	-0.2	-	-
Revised Budget Gap	-0.9	23.9	25

Note : Projections presently include assume a Council Tax Freeze for 2015/16. Government has still to announce the Final Local Government Finance Settlement for 2015/16.

- 8.3 Looking at future years the Budget Gap will be addressed by a combination of savings / efficiencies and additional income. As referred to earlier this will build upon the work of the Future Council programme to identify efficiencies. Regeneration activities and the release of surplus assets for housing and businesses will be used to potentially increase Business Rates income and Council Tax income respectively. This will be addressed as part of the work to develop the Corporate Plan 2016/17 to 2018/19 to be considered by Cabinet / Council in July 2015.
- 8.4 The level of General Fund Balances is projected to be in the order of the £17.4 million minimum level for 2015/16.
- 8.5 A number of budget savings impact on staff. Formal consultation has been taking place through meetings and communications and will continue to take place, across the organisation. Any budget options which impact on staff have been, or will be, subject to further detailed consultation on the potential impact including one-to-one consultation with employees, and collective consultation with the Trade Unions, as part of the statutory process.

9 LEGAL IMPLICATIONS

- 9.1 The Council is required to agree a Budget for 2015/16 by 10 March 2015. The Chief Financial Officer is required under Section 25 of the Local Government Act 2003 to produce a report on the robustness of the estimates made for the Council's Budget.
- 9.2 The duty of the Council to avoid a budget shortfall which is not just an academic exercise in balancing the books. The Chief Financial Officer of a local authority has a personal duty under Local Government Finance Act 1988 section 114A to make a report to the Executive if it appears to her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 9.3 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992, as amended by the Localism Act 2011 and the decision of the Secretary of State in relation to the determination of excessive Council Tax rises.

10 EQUALITIES IMPLICATIONS

- 10.1 When taking Budget decisions the individual decisions may have Equality Implications. Equality Impact Assessments have been completed in relation to the options and these will be re-assessed as the options progress and updated where appropriate.

11 CARBON REDUCTION IMPLICATIONS

11.1 There are no implications arising directly from this report.

12 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications arising directly from this report.

13 RECOMMENDATIONS

13.1 Cabinet recommends to Budget Council a budget proposal for 2015/16:-.

- a) That the savings 2015/18, set out at Appendix 1, be agreed.
- b) That the Budget Growth 2015/18, set out in Appendix 2, be agreed.
- c) That the fees and charges, as in Appendix 3, be noted and delegated authority be given to the Acting Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2015.
- d) That delegated authority be given to the relevant Portfolio Holder and Strategic Director, in consultation with the Director of Resources /Acting Section 151 Officer, in respect of varying charges particularly for leisure and cultural activities.
- e) That the level of General Fund balances recommended, as detailed in Appendix 4, continues to be based on a locally determined approach based on an assessment of the financial risks that the Council may face in the future and that the Council maintains balances at, or above, this level.
- f) That the release of reserves by Directorates, as detailed in Appendix 5, be agreed and transferred to the Remodelling Restructure Reserve.
- g) That the Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 6 be noted.

13.2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2015/16 and :-

- a) That, with reference to Sections 2.38 and 8.2 of this report, a recommendation be made on Council Tax levels for 2015/16.
- b) That the Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.

- c) That, having regard to the fact that the precepts may be determined after the Council has determined its Council Tax for 2015/16 authority be delegated to the Acting Section 151 Officer to publish the final Wirral Council Tax for 2015/16.

14 REASON FOR RECOMMENDATIONS

- 14.1 Cabinet are required to recommend a Budget to Council on 24 February 2015. The issues detailed in this report support the recommendations which all contribute to enabling Cabinet to be in a position to recommend a Budget proposal.
- 14.2 The Police Commissioner for Merseyside and the Merseyside Fire & Rescue Service issue a precept on the Council to be paid through the Council Tax. The bodies concerned may take their decisions in respect of 2015/16 after the Council has determined its Budget and Council Tax levels for 2015/16.
- 14.3 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires that a recorded vote, detailing the names of all Councillors voting and how they voted, be taken in respect of all votes involved in setting the Budget and Council Tax levels.

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APPENDICES

- Appendix 1 Savings 2015/16 to 2016/17.
Appendix 2 Growth Submissions 2015/18.
Appendix 3 Fees and Charges. (the draft Fees and Charges Directory can be accessed through the Background Documents to this Cabinet Agenda).
Appendix 4 Level Of General Fund Balances.
Appendix 5 Reserves.
Appendix 6 Robustness of the Estimates.

REFERENCE MATERIAL

Council Budget 2014/15 agreed by Council on 25 February 2014.
Autumn Statement issued by HM Treasury on 3 December 2014.
Provisional Local Government Finance Settlement 2015/16 issued by the Department for Communities and Local Government – 18 December 2014.
Section 25 - Local Government Act 2003.

SUBJECT HISTORY

Council Meeting	Date
Cabinet	12 February 2014
Budget 2014/15 and Medium Term Financial Strategy	7 July 2014
Council Budget 2015/16 to 2017/18	6 November 2014 and
Future Council Consultation Findings	27 November 2014
Corporate Plan (including updated MTF Strategy)	9 December 2014
Overview Of the Council's Future Financial Position)	9 December 2014
Budget Council Procedure	9 December 2014