



**COUNCILLOR PHIL DAVIES**

**CABINET**

**18 FEBRUARY 2019**

**REVENUE BUDGET 2019/20 AND**

**MEDIUM TERM FINANCIAL**

**STRATEGY 2019/20 TO 2022/23**

**Councillor Phil Davies (Leader of the Council) said:**

“We have a responsibility to set a fair, sustainable and balanced budget. This is a challenge which gets more difficult every year, as austerity policies continue to bite.

Despite the continued reductions in our budget, we are determined we will deliver on what we promised. This budget, despite the ongoing reductions to our funding, is balanced, it protects key services, and ensures investment in the areas most important to residents. It also protects our workforce, and ensures once again we are able to deliver a fair, sustainable budget without making compulsory redundancies.”

**REPORT SUMMARY**

The report provides a technical update on the proposals to balance the budget for 2019/20 and the Medium Term Financial Strategy previously reported to Cabinet on 26 November 2018. It describes the background to balancing the budget gap and the key elements contributing to the preparation of the budget and sets out the formal recommendations on the 2019/20 budget and council tax for Full Council.

The report includes the updated Medium Term Financial Strategy (MTFS) and Resilience plan for 2019/20 – 2022/23. This also includes the publication of the Corporate Risk Register for 2019/20. These documents are dynamic and subject to change. In light of the Government fair funding review and recent funding consultations there is no certainty of funding past April 2020, however the MTFS has been prepared on the best of knowledge available at the time including known future pressures and plans already underway to change the way the Council provides its services.

The Council continues to face financial constraints and pressures. The medium term financial planning period to 2023 will see continued grant funding reductions and increasing financial pressures. Aligned to this the Council will in 2020 assume full responsibility for the raising and collection of income generated locally and used to fund the services accessed by Wirral residents. This report sets out how the Council will balance the budget for 2019/20 and updates the Medium Term Financial Strategy (MTFS) for the period up to 2023. The MTFS sets out a sustainable and resilient financial position for the period through the Budget 2019/20 and financial approaches the period to 2020/21-2022/23.

Cabinet has to recommend a 2019/20 Budget proposal to Council on 4 March 2019. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2019. This is in order to formally set the Revenue Budget and Council Tax for the 2019/20 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2019/20 by 10 March 2019.

This is a key decision which affects all Wards within the Borough.

## **RECOMMENDATIONS**

- 1 Cabinet recommends to Budget Council a Budget proposal for 2019/20 and MTFS 2019/20-2022/23 based upon:
  - a) The updated Medium Term Financial Resilience Strategy (MTFRS) 2019/20 – 2022/23 as set out at Appendix 1
  - b) The consultation findings from the series of consultation events during December 2018 and January 2019 as detailed in Appendix 2
  - b) The fees and charges, as in Appendix 3, with delegated authority being:
    - i) given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2019.
    - ii) given to the relevant Director in consultation with the relevant Portfolio Holder and Section 151 Officer to vary existing fees and charges.
    - iii) Approval of the Pricing and Charging Policy.
  - c) Approval of the Discretionary Rate Relief Policy for Business Rates for 2019/20 as in Appendix 4
  - d) The level of General Fund Balances being recommended, as set out paragraph 3.51, continuing 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.

- e) 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 5.

2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2019/20 and that:

- a) For Wirral Council Services the Council Tax be increased by 2.99% for 2019/20.
- b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside, from the Merseyside Fire & Rescue Service and from the Liverpool City Region Combined Authority.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 Cabinet is required to recommend a Budget to Council on 4 March 2019. 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.
- 1.2 Section 25 of the Local Government Act 2003, requires the Chief Financial Officer 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.
- 1.3 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.
- 1.4 The Police & Crime Commissioner for Merseyside, the Merseyside Fire & Rescue Service and the Liverpool City Region Combined Authority issue a precept on the Council to be paid through the Council Tax.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The Budget position collated in this report represents the result of a wide range of available options, based upon detailed and assessed assumptions, to produce a robust Budget. Cabinet could consider alternative budget proposals or choose to implement on a different timescale. This could present a risk to our ability to set a balanced budget for 2019/20 and increase the financial risks faced through the slippage of proposals.

### **3.0 BACKGROUND INFORMATION**

#### **THE WIRRAL PLAN**

- 3.1 This report lays out the Budget for 2019/20 that supports the delivery of the Wirral Plan approved in July 2015. The plan provides a clear ambition for the area based on three overarching priority areas:

<b>PEOPLE</b>	Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.
<b>BUSINESS</b>	Wirral is a place where employers want to invest and businesses thrive.
<b>ENVIRONMENT</b>	Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

- 3.2 The ambition for Wirral is underpinned by 20 pledges which define the outcomes to be achieved by 2020. This shared set of outcomes, goals and objectives will see the partners working towards integrating services and budgets and making best use of the available public sector resources for the benefit of Wirral people. Partners are committed to playing a lead role in achieving 8 of the 20 pledges.

## **THE CURRENT FINANCIAL LANDSCAPE**

- 3.3 Since 2010 Wirral Council has seen £200m cuts to the budget as a result of austerity. This has had a significant impact on the way we support our communities but by careful planning, a long term strategy of income generation and taking opportunities from digitalisation and transforming services, the impact on our communities has been minimised.
- 3.4 The Council is in year three of a four year efficiency plan, this is a dynamic plan as we did not expect the plan to remain static over the four years and each year, we have revised the plan to respond to national and local changes. Once the plan comes to an end, our funding position is unknown.
- 3.5 The MTFS approved by Cabinet in July 2018 set out the robust and measured way that the Council will address the challenges that it faces in the period to 2023. Since summer 2018 further work has been undertaken to develop the detailed budget for 2019/20 and indicative proposals for the period to 2023. This has been an ongoing process led by the Cabinet and supported by officers. The result is an updated MTFS to 2022/23 that reflects updated assumptions, identifies financial proposals for the basis of a balanced 2019/20 budget and presents a financially sustainable position 2022/23 in spite of an uncertain national funding picture.
- 3.6 The Government has made no detailed announcements on the funding of local government beyond next year. The announcements are not expected until summer 2019. The outcome of review of local government funding via business rates and the Fair Funding Review will not be known until the autumn. This position of uncertainty makes it very difficult to plan over the medium to long-term with no indication as to whether further reductions to specific grants are planned or any proposed changes to the current business rates pooling pilot.
- 3.7 From 2020 councils will retain all Business Rates as General Government funding of local government will cease with the ending of Revenue Support Grant. Differences in the ability to raise funding from local taxation and the need to fund services in a local area are being addressed by a series of working groups by the Department for Communities and Local Government and the Local Government Association. Wirral along with other Councils in the Liverpool City Region are participating in a pilot of the 100% retention of Business Rates from 2017/18. Wirral, and the other councils in the region, ceased to receive any Revenue Support Grant from central government in 2017/18 with the loss of grant being compensated by the retention of

Business Rates raised plus a Rates Top Up grant to ensure that there is no detriment to Wirral's funding resulting from the pilot scheme.

- 3.8 The future of Public Health grant is also uncertain. There is speculation that following the fair funding review the grant will be distributed as part of the business rates retention scheme with its ringfencing removed. This poses a potential threat to value of the funding; especially as public health grant funding is supporting many long term contracts that may have to be disbanded if the full funding is not available from 2020. The public health grant is also supporting several core non-statutory activities that may have to be cased if the funding is withdrawn.

## **THE 2019/20 BUDGET**

- 3.9 The MTFs covering 2018/19 – 2021/22 was approved at Cabinet last summer. At this time the four year budget gap was £67m, made up over the 4 years as follows:

<b>PROJECTIONS</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2021/22 £m</b>
Cumulative Budget Gap	45	62	65	67
Annual Change in Budget Gap	45	17	3	2

- 3.10 This gap has broadly remained the same over the past 12 months although some changes have been made within the assumptions as more clarity and certainty of figures are received. The gap makes an assumption for the level for Council Tax and Business Rates to be received during 2019/20 and the level of New Homes Bonus. In the Autumn statement, the Chancellor confirmed that our assumptions for New Homes Bonus remain the same.
- 3.11 In response to the submission of an efficiency plan three years ago the Government provided four year funding settlement figures to enable us to plan. As part of these figures was an assumption for a reduction in government funding of £9.2m for 2019/20. Following the final local government finance settlement figures received in January, the assumption for the reduction in funding was confirmed.
- 3.12 The Chancellors statement in the autumn did provide for some additional funding, namely for Winter Pressures and for pressures within Adults and Childrens Social Care. The additional one-off funding provided was £4.88m. Of this £1.8m is being used to fund domiciliary care pressures with the remainder offsetting current demand pressures within Children and Adult Social Care. As this funding is on-off it is uncertain whether it will continue and therefore presents a real risk to the support provided for vulnerable children and adults past 2020.
- 3.13 The budget requirement for 2019/20 is as follows:

<b>2019/20 BUDGET REQUIREMENT</b>	<b>19/20 £m</b>	<b>19/20 £m</b>
<b>Budget Requirement</b>		<b>274.42</b>
<b>Funding Assumptions:</b>		
Council Tax	(136.43)	
Target new properties	(0.74)	
Council tax increase at 2.99%	(4.10)	
Business Rates	(136.44)	
Loss of revenue support grant	9.20	
Improved Better Care Fund rolled in	(0.90)	
Business Rates Inflation	(2.50)	
New Homes Bonus	(0.71)	
<b>Total Funding</b>		<b>(272.62)</b>
Replace previous years temporary funding	27.40	
Add 19/20 pressures	15.70	
<b>Total budget gap</b>		<b>44.90</b>

## BUDGET SAVINGS

- 3.14 Throughout the summer the Cabinet have led the process to identify proposals to bridge the £45m gap. These proposals have been challenged and scrutinised through a robust process to ensure they are acceptable, feasible and deliverable. The summary of proposals by Portfolio are as follows. A full list of the proposals are detailed in the appended Medium Term Financial Strategy:

<b>TOTAL SAVINGS PROPOSALS BY PORTFOLIO</b>	<b>19/20 £m</b>
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to funding	3.25
<b>Total</b>	<b>45.00</b>

## BUDGET PRESSURES

- 3.15 Contributing to the budget gap are also a series of pressures. These pressures are mainly as a result of continuing demand for services, inflationary increases to contracts with suppliers and providers and pay and pensions increases. The summary of pressures by Portfolio is included in the following table and a full list of pressures can be found in the appended MTFS:

<b>TOTAL PRESSURES BY PORTFOLIO</b>	<b>19/20 £m</b>
Jobs & Growth	(0.20)
Environment	(1.85)
Children & Families	(1.10)
Adult Care & Health	(6.30)
Finance & Resources	(5.70)
Leisure and Recreation	(0.55)
<b>Total</b>	<b>(15.70)</b>

## SUSTAINABILITY OF USE OF ONE-OFF FUNDING

- 3.16 In 2018/19 significant investment was provided for Children's Services following a poor OFSTED inspection in 2016. £25m additional funded was provided in the 18/19 budget of which £10m was one-off funding on the premise that this would be 'repaid' over a three year period by changing the way the service was provided as a result of the improvement programme. In 2019/20 £3.9m of this funding has been repaid but this has required the remaining £6.1m of the one-off funding to be replaced for permanent ongoing expenditure. In addition to this one-off funding being found for Children's investment, a further £17m of one off funding was used in 18/19 to balance the overall budget gap.
- 3.17 This method of balancing a budget is not sustainable in the long term and while short term funding can be generally used on a temporary basis to bridge gaps in the budget while permanent solutions can be found, there should be a robust plan to transition out of this.
- 3.18 In 2019/20 the value of one-off funding being used to bridge the budget gap is £9m. This is deemed a manageable amount as some of this funding will be provided to support transformation and improvement programmes, of which will require initial pump priming funding. Once these programmes are implemented, they will result in reduced ongoing expenditure for the future in which case the one-off funding will no longer be required.



## **CONSULTATION OUTCOME**

- 3.19 In November, Cabinet approved the financial proposals for consultation for the 2019/20 budget. The consultation took various forms and included:
- Budget survey questionnaire
  - 4 public events
  - 2 staff events
  - 5 Overview and Scrutiny workshops
- 3.20 As a result of the consultation responses, no changes were made to the proposals to bridge the budget gap for 2019/20. Details of the consultation feedback can be found at Appendix 2 and the full responses from the Overview and Scrutiny Committee's appears in a separate paper elsewhere on the agenda.

## **THE RESPONSE FOR A SUSTAINABLE FINANCIAL FUTURE**

- 3.21 The Medium Term Financial Strategy is included at Appendix 1. The four year strategy to 2023 highlights the Council's response to continued austerity taking an investment and growth approach to delivering and protecting services that are important and valued by our communities. This is achieved in three ways:
1. Income Generation
  2. Being as efficient as we can be
  3. Working in partnership to deliver services
- 3.22 Over the medium term financial strategy proposals are being developed to ensure the budget can be balanced and the council financially sustainable during the next four years. The £17m budget gap for 2020/21 is a calculation of a variety of items these being:
- The final reduction in grant funding from government
  - Known pressures resulting from demand, contract inflation and pay and pensions costs
  - Replacing one-off funding used in 2019/20 for permanent expenditure
  - The full year effect and/or year 2 savings from proposals already agreed.
- 3.23 The medium term financial strategy is planned to be balanced over the next four years through a series of new proposals. These proposals will be developed over the next 12 months as part of a continuous budget setting strategy. Once strategic outline business cases have been developed the proposals will undergo the same challenge and scrutiny from Cabinet as part of the Start Chamber process that took place in 2018/19. This will enable the proposals to be assessed for acceptability, feasibility and deliverability in good time to enable any consultation to be carried out and the Cabinet to take a decision to implement. The proposals are at this stage in draft but form the themes included in the following table:

	2019/20	2020/21	2021/22	2023/23
	£m	£m	£m	£m
<b>4 year Budget Gap</b>	<b>45</b>	<b>17</b>	<b>3</b>	<b>2</b>
19/20 Budget Options in 3.14	(45)			
Review of commissioned services		(3.5)		
Children & Families Innovation Programme		(2.0)	(1.0)	
Review assumptions for pressures		(1.5)		
Income Generation		(3.0)	(1.0)	(1.0)
Depot Supersite		(0.5)		
Reforming Services Programme		(1.0)	(1.0)	(1.0)
Contract Review Year 2		(3.5)		
One-off invest to save funding		(2.0)		
<b>Revised budget gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.24 The MTFS is dynamic and these proposals may be subject to change as more information emerges regarding the new Government formula funding review from 2020 which we are told will be available in the autumn.

## INCOME GENERATION

3.25 As we do not have level of funding to deliver services that our residents value, we have to replace this lost funding with income. This is an integral part of our financial strategy and without it, we would potentially not be able to deliver any of our non-statutory services.

### Economic Regeneration

3.26 As the Council agrees its partnership with Muse in forming the Wirral Growth Company, it will benefit from significant income dividends from the regeneration projects that will be undertaken in the business plan. Over the next decade the Council will benefit from £50m+ income as a result of the projects being undertaken that will include just over £5m in 2019/20. Without this level of income to support the 2019/20 budget our non-statutory services would not be able to remain operating in the same way.

### Commercial Strategy - Fees & Charges

3.27 All fees and charges, including concessions, 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.

3.28 Directorates have examined their fees and charges and set them according to the circumstance of their services. No general inflationary increase has been applied as this is not conducive to market conditions in some areas. 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 2019/20 Budget. Appendix 2 provides detail.

- 3.29 Cabinet is asked to note the directory and give Delegated Authority to the Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2019.
- 3.30 Cabinet is also asked to agree to give delegated authority to the Portfolio Holder in consultation with the relevant Director and Section 151 Officer to vary existing fees and charges.

### **Treasury Management Activities**

- 3.31 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held to generate income from interest e.g. through loans to other organisations to take advantage of cash flow timing opportunities. The council cannot spend this surplus cash on day to day activities as it is required to pay our staff salaries and our suppliers but the income, we generate from interest re receive, we can spend on day to day service delivery e.g. pot holes.
- 3.32 Over the past two years we have made changes to the amounts we set aside to repay our future debt, called Minimum Revenue Provision. In making these changes we have saved millions on pounds to enable services to continue to be delivered. In 2018/19 we have released over £5m from our treasury activities to contribute to the budget gap and to enable us to keep our non-statutory services in operation.

### **Council Tax**

- 3.33 Cabinet on 26 November 2018 agreed the Council Tax Base for use in 2019/20. The number of properties 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.

## Wirral Council Tax Band D calculation 2019/20

Band	Properties 2018	Changes due to C Tax Support, discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	60,165	-24,608	35,557	6/9	23,704.7
B	32,325	-7,329	24,996	7/9	19,441.3
C	27,332	-4,055.6	23,276.4	8/9	20,690.1
D	13,355	-1,499.8	11,855.2	9/9	11,855.2
E	8,180	-719	7,461.0	11/9	9,119.0
F	4,285	-310.1	3,974.9	13/9	5,741.5
G	3,120	-65.5	3,054.5	15/9	5,090.8
H	264	-35.7	228.3	18/9	456.6
Band A Disabled (1/9 <sup>th</sup> of Band A)		76.5	76.5	5/9	42.5
Total	149,026	38,546.2	110,479.8		96,141.7
Collection Rate					x 97.25%
Adjusted Council Tax Base					93,497.8

- 3.34 The increase in the Council Tax-Base from 2018/19 to 2019/20 will result in increased Council Tax income of approximately £2.23 million in 2019/20. Wirral's share of the precept after the non-collection allowance is applied will be £1.89 million. This amount has been reflected in the 2019/20 Budget.
- 3.35 The Government announced in the local government finance settlement that General Council Tax can increase by 2.99%. The Referendum threshold for general Council Tax increases is set at 3% (the same as 2018/19) for 2019/20. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2018/19 and 2019/20 (includes levies).
- 3.36 The decision on the level of Council Tax is made by Council in March. The current proposals containing for 2019/20 assumes that general Council Tax will increase by 2.99%.

### Setting the Council Tax Levels

- 3.37 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 2019/20 is not excessive meaning that a Referendum is not necessary.
- 3.38 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 2019/20 with that for 2018/19 for the Council's basic amount of Council Tax.

- 3.39 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 2019/20. In 2019/20 the Liverpool City Region Combined Authority will also be levying a precept for the LCR CA Mayoral precept.

### **Business Rates**

- 3.40 Business Rates are payable by businesses based on the rateable value of the premises they occupy, which is calculated according to how much rent the premises would achieve if rented out. Valuations are carried out by the Valuation Office Agency on a five year cycle; the latest valuation list will apply from 2017. The Council is responsible for calculating actual rates bills and for collecting rates and use the rateable value in working out how much a business will have to pay. The actual rates bill is calculated by applying the rate multiplier (a rate in the pound) to the rateable value and then deducting any reliefs that are applicable.
- 3.41 Whilst presenting opportunities, the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. The amount received may 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 including empty property / charitable reliefs.
  - Assessment of bad and doubtful debts.
- 3.42 Cabinet are asked to approve the Discretionary Rate Relief Policy for Business Rates for 2019/20. The Policy has been updated for ease of reference and to include the following:
- The adoption of the new Business Rates Retail Discount Scheme for 2019-20 and 2020-21. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The Government will, in line with the eligibility criteria set out in their guidance, reimburse local authorities that use their discretionary relief powers, via Section 31 Grant

- The extension of the existing discount of £1,500 for 2019/20 for office space occupied by local newspapers. The relief is fully funded, as now, via Section 31 Grant.
- The adoption of the 100% relief from Business Rates for all standalone public toilets. The relief is funded fully via Section 31 Grant.
- The continuation of the existing Discretionary Rate Relief scheme for business that faced significant increases in their Business Rates as a consequence of the 2017 valuation. The qualifying criteria for 2019/20 will be for any business with a continuing increase in the rates payable following the Revaluation in 2017. This will be paid at a rate of 30% of the increase. The relief is funded fully via Section 31 grant

A copy of the revised Discretionary Rate Relief Policy is set out at Appendix 4

- 3.43 The surplus/ deficit in 2019/20 being allocated to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2018/19 financial year together with a forecast for 2019/20 had to be submitted to the Government by 31 January 2019. The forecast Business Rates income for 2019/20 shows that the receipts to the Council will increase by £1.7 million from the 2018/19 levels.
- 3.44 Since 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. An announcement regarding the grant for 2019/20 is awaited from Government.
- 3.45 The uncertainties that surrounded the operation of and funding of the Business Rates Pilot across the Liverpool City Region plus the Revaluation in 2017 have reduced through 2018/19 as it has become established. Whilst this does remain a complex and volatile area of income it is felt that this has reduced since last year and the earmarked reserve to mitigate against the financial implications in yields from Business Rates may be reduced. Details of this are contained detailed later in the report.

## **LEVIES AND LIVERPOOL CITY REGION COMBINED AUTHORITY**

- 3.46 There is a statutory requirement to agree the levies for 2019/20 before 14 February 2019 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.
- 3.47 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 1 February 2019. In

overall terms the Transport Levy reduces by 9.5% due to reductions in operating costs, use of alternative financing and the use of balances held by Merseytravel. The Wirral Levy for 2019/20 remains unchanged as a result.

- 3.48 The Merseyside Recycling & Waste Authority met on 1 February 2019 and agreed the Waste Levy for 2019/20. This required the use of £1.396m balances in order to support a 'cushioning' of the levy increase at 4.9% for the coming year. The increase for 2019/20 is higher than the anticipated 11.5% for 2019/20 and as a result the pressure has increased from £0.9m to £1.1m
- 3.49 The Waste Authority released the Waste Development Fund to constituent authorities during 2014/15. The use of this 'one-off' resource is subject to compliance with conditions set out in a Memorandum of Understanding. The Council Budget includes the release of £1 million to support waste service provision in 2019/20, however this is included within the MTFS to be repaid in 2021/22 on an annual basis to ensure they fund can be returned to its original level.

## **LEVEL OF GENERAL FUND BALANCES**

- 3.50 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.
- 3.51 The Council has a statutory duty to determine the level of General Fund Balances and reserves it maintains before it decides on the level of Council Tax. The level of balances should be based on the Council's own specific circumstances. The financial future for the Council continues to be challenging and a number of major uncertainties remain. In determining the appropriate level of reserves, the Section 151 Officer has assessed a number of factors. This takes account of the strategic, operational and financial risk factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the guidance in this area).

### **Summary of the Assessed Level of General Fund Balances**

	2018/19	2019/20
	£m	£m
Assessed at February 2018	10	10

£10m of general fund balances represents 3% of the Council's new revenue budget.

## **REVIEW OF RESERVES**

- 3.52 Resources set-aside for specific purposes as reserves should be established and used in accordance with the purposes intended. The level of reserves have been reviewed annually and where there are no robust plans in place for the establishment and use of the reserve, these have been drawn down to support the 2019/20 budget.
- 3.53 The anticipated level of reserves as at the end of 2018/19 is around £47m. The main reserves that make up this amount are:
- Schools (only allowed to be used by schools) £13m
  - Business Rates Equalisation £7m
  - Insurance Fund for self-insurance £8m
  - Waste Development Fund £2m
  - Public Health and Better Care Fund £2.5m

## **ROBUSTNESS OF THE ESTIMATES**

- 3.54 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the 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.
- 3.55 Appendix 5 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. It contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The financial implications are detailed in the report.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 The Council is required to agree a Budget for 2019/20 by 10 March 2019. 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.
- 5.2 The duty of the Council is to avoid a budget shortfall and 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 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.



- 5.3 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.
- 5.4 Consultation has taken place on the proposals and also in accordance with its duties under section 65 of the Local Government Finance Act 1992. The responses provided are attached at Appendix 1.
- 5.5 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.

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

- 6.1 Investment into IT continues in accord with the development and implementation of the Digital requirements. In respect of assets the Council continues to review its estate, working with partners in order to maximise both investment and rental income and the generation of capital receipts from the release of surplus assets.

## **7.0 RELEVANT RISKS**

- 7.1 The financial position for 2019/20 is based on forecast amounts which are outside of Council control such as Government funding and the changing demand for services. A key risk is that any of these assumptions can change which is increasingly the case when projections are made over the medium term. This is mitigated by keeping the MTFS under, at least, an annual review.
- 7.2 Under the system 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, General Fund Balances and a Business Rates Reserve.
- 7.3 The budget for 2019/20 is reliant on the generation of future capital receipts. The generation of capital receipts is sensitive to the fluctuations in the performance of the property market including changes in land values. If sales and prices reduce or not take place, it will be necessary to look to mitigate including through the use of limited revenue funding and further sales of assets.
- 7.4 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.

- 7.5 There is a risk that agreed changes will not be delivered or that increasing pressures will be faced by services, particularly those that are demand led services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2019/20 preparation has included an assessment of the level of General Fund Balances.
- 7.6 The 2019/20 budget is supported by the use of one off funding from the use of balances, capital receipts and reserves. Whilst this approach can be adopted it does present a risk in that this action is only a temporary solution. The challenge associated with the use of one off funding is the requirement to develop budget reductions across the Council or additional income. While work has been started on future years further efforts are required with the development of the MTFS planning process to meet the challenges of replacing the one off funding with permanent solutions. This can be mitigated by the earlier delivery of the proposals emanating from the Transformation Programme.
- 7.7 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. This is set out in Appendix 5.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Following Cabinet on 26 November 2018 the required consultation and engagement with residents, partners and stakeholders where required has been undertaken. The details of responses can be found at Appendix 2. This included the Overview and Scrutiny Committees and a report on the outcomes is on this Cabinet agenda.
- 8.2 The Council also worked with staff and Trade Unions to ensure obligations in relation to statutory staff consultation is delivered appropriately and within agreed guidelines.
- 8.3 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

## **9.0 EQUALITIES IMPLICATIONS**

- 9.1 When taking Budget decisions the individual decisions may have Equality Implications. As referred to in the Budget Consultation Findings Report, Equality Impact Assessments relating to each Budget proposal have been developed. These will be re-assessed as the options progress and updated where appropriate.

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## **APPENDICES**

Appendix 1 Medium Term Financial Strategy 2019/2023  
Appendix 2 Budget 2019/20: Consultation Findings  
Appendix 3 Fees and Charges 2019/20  
Appendix 4 Discretionary Rate Relief Policy for Business Rates for 2019/20  
Appendix 5 Chief Financial Officer Statement (Robustness of Estimates)

## **REFERENCE MATERIAL**

Council Budget 2018/19.

Local Government Finance Settlement 2019/20 Provisional issued by the Ministry of  
Housing, Communities and Local Government– 16 December 2019  
Section 25 Local Government Act 2003.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Council Cabinet Medium Term Financial Strategy Medium Term Financial Strategy and Budget 2019/20 Budget Decision Council – 5 March 2018 Procedure and Rules Council Tax Base 2018/19	5 March 2018 16 July 2018