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WIRRAL

Cabinet

Date:	**Monday, 20 February 2017**
Time:	**10.00 am**
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA – supplementary papers

6. COUNCIL BUDGET

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WIRRAL

 **COUNCILLOR PHIL DAVIES**	**CABINET** **20 FEBRUARY 2017** **REVENUE BUDGET AND** **COUNCIL TAX LEVELS 2017/18**

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.

"We have committed to 20 Pledges in our Wirral Plan and, despite the continued reductions in our budget, we are determined we will deliver on what we promised."

REPORT SUMMARY

The report provides an update on the Medium Term Financial Strategy and Council Budget 2017/18 reported to Cabinet on 8 December 2016. It sets out the background and the key elements contributing to the preparation of the Budget for 2017/18.

The Council in the period 2018/19-2020/21 faces continued financial constraints. 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 describes how the Council will seek to establish a sustainable financial position through the development of a number of financial proposals in 2017/18. These form the basis of plans for closing the funding gap over the Medium Term Financial Strategy timeframe. This report should therefore be read in conjunction with Medium Term Financial Strategy which sets out indicative financial proposals for 2018/19-2020/21.

Cabinet has to recommend a 2017/18 Budget proposal to Council on 6 March 2017. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2017. This is in order to formally set the Revenue Budget and Council Tax for the 2017/18 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2017/18 by 10 March 2017.

This report has been prepared based upon the information contained in the Provisional Local Government Finance Settlement that was issued by the Government on 15 December 2016. The Final Settlement is expected in the week commencing 20 February 2017. Given the timing of this release any changes would have to be effected through General Fund Balances.

The Liverpool City Region is one of the pilots for the 100% Business Rates Retention Scheme. The sources of funding from 2017/18 will change with the agreement being that involvement in the scheme comes with 'no financial detriment'. The Memorandum of Understanding for this arrangement is presently being finalised and will be announced as part of the Final Settlement.

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

RECOMMENDATIONS

1 Cabinet recommends to Budget Council a Budget proposal for 2017/18 based upon:-.

a) The Proposals for 2017/18 as set out at Appendix 1.

b) The Growth for 2017/18 as set out in sections 3.29 to 3.35 of this report.

c) The fees and charges, as in Appendix 2, 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 2017.

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 as set out in Annex 1.

d) The level of General Fund Balances being recommended, as set out in Appendix 3, as 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 use of General Fund Balances, if required, to fund the financial consequences of the finalisation of the Local Government Finance Settlement.

f) The release of reserves, as set out in Appendix 4, to General Fund Balances to support the Revenue Budget.

g) 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.

h) Endorsement of Wirral being part of the Liverpool City Region 100% Business Rates Retention Pilot Scheme as set out in the Memorandum of Understanding at Appendix 7.

2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2017/18 and that :-

a) For Wirral Council Services the Council Tax be increased by 4.99% for 2017/18 which includes the Adult Social Care Precept of 3%.

b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Cabinet is required to recommend a Budget to Council on 6 March 2017. 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 and the Merseyside Fire & Rescue Service 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 chose to implement on different timescale. This could present a risk to our ability to set a balanced budget for 2017/18 and increase the financial risks faced through the slippage of proposals.

3.0 BACKGROUND INFORMATION

THE WIRRAL PLAN

3.1 The Council Plan was approved by Council on 13 July 2015 and was then adopted by all strategic partners from the public, private and third sectors to create the first Wirral Plan. It provides a clear ambition for the borough based on three overarching priority areas::-

PEOPLE	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.
BUSINESS	Wirral is a place where employers want to invest and businesses thrive.
ENVIRONMENT	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 committed to playing a lead role in achieving 8 of the 20 pledges.

3.3 There are a series of Strategies which support the Plan that have been agreed and have been developed into a series of under-pinning Delivery Plans and the outcomes of this work will inform the development of the MTFS.

FINANCIAL YEAR 2016/17

3.4 The financial position in 2016/17 provides a guide for the development of the Budget for 2017/18. The latest Revenue Monitoring report details the position at Quarter 3 (to 31 December 2016) and is on this agenda.

3.5 The latest projections are for a £0.4 million underspend whilst work continues to identify further in-year savings. However this reflects overspends within both Adult Social Services and Children's Services primarily as a result of increased care costs. Although offset by projected underspends within other areas this highlights the challenges that can be expected in the new financial year.

3.6 In considering the reported position Cabinet are reminded that the Quarter 1 (June 2016) Monitoring Report identified pressures and the decision was made to allocate £11.1 million of the 2016/17 contingency. This comprised £3.9 million to Adult Social Services, £5 million to Children's Services, £0.5 million for Transformation and Resources and £1.7 million in respect of the Remodelling saving. A further £0.3 million was allocated to Children's Services for increased residential care fees. Council agreed an increase to the budget of £1.6 million to cover increases in social care costs due to the living wage and the reversal of a saving option for passport for life.

3.7 The issues highlighted throughout 2016/17 are important when considering the deliverability of the Budget for 2017/18 which includes further planned savings and growth. Integral to this is ensuring the financial resilience is in place to mitigate against potential adverse variances such as where planned savings may not be delivered.

THE BUDGET STRATEGY 2017/18-2020/21

3.8 The Council faces a funding shortfall over the period. With the ending of the Revenue Support Grant and the acceptance of the four year offer this has led to the adoption of a planned and proactive approach to the challenges. A number of difficult decisions will need to be made to successfully deliver the Wirral Plan whilst meeting statutory responsibilities.

3.9 The intention is that this will be done through The Wirral Delivery Plan and Medium Term Financial Strategy 2017/18- 2020/21 with the development of indicative financial proposals for these years being progressed in future update reports. The agreement of the Government four year Settlement supports this longer term planning. Members are asked therefore to agree through this report to the Budget 2017/18 and to indicative financial proposals for 2018/19-2020/21 through the Medium Term Financial Strategy report.

3.10 Table 1 contains the budget projections over the period, as presented in December 2016, which show that over the four year period the budget gap can be closed. However this is anticipated to happen in the final two years of the planning period. The use of balances will be required in 2017/18 and 2018/19.

Table 1: Budget Projections 2017/18-2020/21 at December 2016

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Original Projected Spend	286	304	322	340
Original Projected Income	241	234	227	208
Cumulative Budget Gap	45	70	95	132
Annual Budget Gap	45	25	25	37
Total Proposals	34	30	33	38
Revised Gap	11	-5	-8	-1
Use of Balances	11	6	-	-

CABINET PROPOSALS 2017/18

3.11 Cabinet on December 2016 considered £33.9 million of budget reductions and proposals for 2017/18 and £101.3 million of indicative proposals for the years 2018/19-2020/21, further details on which are contained in the MTFS report. The proposals and use of balances aim to secure financial stability through the setting of balanced budgets each year. The projections include the assumption that Council Tax levels would increase, including the Adult Social Care Precept, but this will be dependent upon the terms of the Local Government Finance Settlement and Members decisions.

3.12 Officers were authorised by Cabinet to undertake any required consultation and engagement with residents, partners and other stakeholders as required. The views of the Overview and Scrutiny Workshops are reported on this agenda.

3.13 The schedule of all the revised savings proposals for 2017/18 are detailed in Appendix 1 and, as referred to in the December 2016 report, are set out on the basis of the three themes being:- Delivering Differently, Income and Resources and Service Changes.

THEME : DELIVERING DIFFERENTLY

3.14 The Wirral Plan sets out how public services will work together to deliver our ambitions for Wirral. In recent years the range of opportunities to either improve service delivery directly, or to reduce costs/increase income have increased. These forms of public service reform include a range of potential areas including ensuring the Council can derive the maximum benefit from any devolution of powers; and exploring areas of commercialisation, integration and collaboration with partners to share best practice and increase efficiency. The Council will continue to explore which of these opportunities could work and the Transformation Programme is a fundamental redesign of what services are provided and importantly how the services are provided. It will cover almost all of the directly-provided services to re-focus their delivery on the outcomes agreed in the Wirral Plan. This Programme is critical to the achievement of a balanced budget across the MTFS period. It is an ongoing programme to both transform our services and achieve significant savings. While not sufficient to cover the total funding gap Transformation forms a key part of the budget strategy for 2017/18 and beyond.

THEME : INCOME AND RESOURCE MANAGEMENT

3.15 The Council must do all it can to build its way to a sound financial position. Government proposals will result in local authorities receiving no general Revenue Support Grant from 2020 and being increasingly reliant upon the income generated locally from Council Tax, Business Rates and Fees and Charges. Maximising our income to offset the requirement for cuts is important to our Strategy as every £ generated is a £ that can be invested in securing services people require. This will not be achieved through charging more for services. The Wirral Plan sets out aims to increase investment, jobs and housing in the borough. This involves making better use of the assets available to ourselves and partners and translates into higher levels of Business Rates, Council Tax and people in work. As part of the effective and efficient management of resources the assumptions regarding future trends and indications from Government are kept under review. This also involves ensuring we get the best value for money from any contracts and that the services we purchase are those that best meet the needs of Wirral people.

THEME : SERVICE CHANGES

3.16 The scale of the financial reductions makes it impossible to avoid changing or reducing some services. The Budget Strategy mitigates to a large degree the impact of Service Changes through the prioritisation of the first two themes which have few service specific impacts. The Council will continue to work with partners to ensure reductions are managed in a strategic, planned way to ensure we retain a focus on the overall vision for the borough.

Table 2: Summary Of Proposed Savings at December 2016

THEME	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Delivering Differently	5.4	7.7	7.2	19.9	40.2
Income and Resources	26.9	23.2	26.2	17.7	94.0
Service Changes	1.6	+0.6	-	-	1.0
TOTAL PROPOSALS	33.9	30.3	33.4	37.6	135.2

PROGRESS SINCE THE PROJECTIONS AT 8 DECEMBER 2016

3.17 This Budget 2017/18 and Medium Term Financial Strategy Report presented to Cabinet on 8 December 2016 included the proposed savings. This report provides an update incorporating the impact of subsequent changes including the Provisional Local Government Finance Settlement. Any impact of the Final Settlement when announced will be reflected in the use of General Fund Balances for 2017/18.

3.18 The Provisional Settlement the Government set out projected funding levels up to 2019/20 and confirmed the Revenue Support Grant would be reduced and phased out by 2020 preceding the proposed 100% retention of Business Rates post-2020. The announcement confirmed the reductions announced as part of the 2016/17 Settlement being based on the Council submitting an Efficiency Plan and accepting the four year Offer.

3.19 As referred to in the December 2016 report, information relating to 2017/18 was awaited and some still remains outstanding which is also the case for future years. This report focuses on the Budget for 2017/18.

3.20 The changes to the financial projections and budget proposals considered by Cabinet on 8 December 2016 are as follows:-

Table 3 : Updated Budget Proposals and Budget Gap

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Provisional Settlement				
Revision to New Homes Bonus	-0.7	+0.7	-0.2	-0.1
Adult Social Care Precept profile to 3%, 3%, 0% rather than 2% per year	+1.3	+1.4	-2.9	-
New Adult Social Care Grant	+1.8	-	-	-
Above passed to Adult Social Care	-3.1	-1.4	-2.9	-
Revision to Education Services Grant	-0.9	-0.4	+0.3	+0.3

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Amendment to proposals				
Business Rates growth is higher than the projected £0.9m per Government return on 31 January 2017.	+1.2	+3.5	-	-
Fees and charges at £0.6m against £1m target for 2017/18	-0.4	-	-	-
Car parking re-profiled over two years eg Country Parks	-0.2	+0.2	-	-
LCR Specialist Transport. £0.5m included for 2017/18 but further work required	-0.5	-		
Discretionary Rate Relief. £150k of £300k achieved (Rateable Value changes & schools contribution)	-0.2	-	-	-
Waste Levy a 0% increase 2017/18 which leads to 11% in 2018/19	+0.6	-0.3	-	-
Pensions Revaluation wef April 2017 refined profile with payment in April 2017	+2.2	-0.6	-0.5	+0.1
Community Fund – one-off funding for 2017/18 agreed at meeting with Magenta	+0.8	-0.8		
Projected Change + is closing the gap / - increasing the gap This reduces the Use of Balances in 2017/18 from £11.1m to £9.2m.	+1.8	+3.7	-0.4	+0.4

3.21 The Provisional Local Government Finance Settlement confirmed previously announced reductions in the Revenue Support Grant. Other changes included the New Adult Social Care grant for 2017/18 only and a revision to the profile for the Adult Social Care Precept. Both must be used to support Adult Social Care.

3.22 The plan to transfer £800 million from New Home Bonus to the Improved Better Care Fund was announced in the Autumn Statement 2015. The changes in December 2016 divert a further £241 million to the new Adult Social Care Grant to fund social care services in areas identified as being part of higher relative need. As a consequence of this further change Wirral loses a further £0.7 million (above the projected £0.2 million) in 2017/18 rather than in 2018/19. The Education Services Grant announcement saw a further reduction in funding received by the Council of £0.9 million as part of the continued move by Government to implement reduction in the financing of Council support to schools.

3.23 Further work on the development of the proposals has resulted in revisions to the indicative figures announced in December of which the significant items are:-

a) The impact of increased businesses identified since March 2016 together with inflationary increases and the revaluation has been assessed at generating an additional £1.2 million of Business Rates in 2017/18. This has also led to the projections for 2018/19 being revised upwards by £3.5 million following the finalisation of the return made to the Government at the end of January.
b) The anticipated amounts from a review of the Discretionary Business Rates Relief have been revised from £0.3 million to £0.15 million.
c) The Liverpool City Region Specialist Transport efficiencies are at an early stage and will be subject to further work before a proposal is submitted.
d) A further year's support of £0.75 million, towards housing related schemes, from the Community Fund was agreed with Magenta Housing in early February 2017.
e) The finalisation of the funding arrangements following the triennial revaluation of the Merseyside Pension Fund resulted in a reduction of £2.2 million in projected costs for 2017/18 and the phasing of an increase in contribution rates from April 2018.

3.24 The updated position assumes that all the savings included in the December 2016 Cabinet report are agreed and implemented. The overall change is a reduction of £1.8 million in the amount of General Fund balances that will be required to support the 2017/18 Budget to £9.2 million.

Table 4: Summary Of Proposed Savings at 8 February 2017

THEME	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Delivering Differently	5.4	8.2	9.7	19.9	43.2
Income and Resources	29.7	25.5	22.6	17.9	95.7
Service Changes	1.6	+0.6	-	-	1.0
TOTAL PROPOSALS	36.7	33.1	32.3	37.8	139.9

3.25 The 2017/18 Budget process included a review of the issues identified from the 2016/17 monitoring. The financial pressures faced in Care Services affect all local authorities providing care services with the Adult Social Care shortfall highlighted by the Local Government Association as being in the order of £2.6 billion.

Adult Social Care – There is a persistent growth in demand and the Council is working with the Health sector to find sustainable solutions. The Adult Social Care Precept and Improved Better Care Funding and Adult Social Care Grant (for 2017/18) and the Transformation Programme Integration with Health project assist.

Children's Social Care – The increase in the number of looked after children continues to lead to financial pressures on the budget for this service. The response to the Ofsted review that was published in September 2016 includes an Improvement Plan and the funding for the transformation of the service is being funded through the use of the Government's Flexibilities over the use of Capital Receipts.

To ensure stability in these areas growth has been built into the 2017/18 budget in these service areas plus the Revenue Budget Contingency.

3.26 The degree and scale of change to deliver savings over the next four years will be considerable especially at the same time as delivering services. A high proportion of savings over recent years have been delivered. It is currently anticipated that the majority of those proposed for 2017/18 will be delivered. Their development has been through a number of processes. This has included examination and scrutiny by officers and Members and an assessment of the likelihood of deliverability. The Section 151 Officer has also reviewed the MTFS assumptions and the level of reserves required. The process sought to ensure the Budget is deliverable taking account of potential risks that can be quantified.

3.27 In addition to this assessment of 2017/18 proposals specific assurances are obtained on the deliverability of savings from the relevant officers. Effective budget management and planning are the responsibility of the whole organisation which goes beyond the Section 151 Officer.

3.28 Progress on delivery will be monitored through the Financial Monitoring arrangements already in place which have been strengthened in respect of accountability with proposals assigned to Strategic Leadership Team members to ensure detailed delivery plans are in place and implemented.

GROWTH ITEMS

3.29 The Budget Projections for 2017/18 included an assessment of growth of £33.9 million arising from investment in services due to demographic changes, inflationary rises and financial pressures that have occurred and been reported as part of the Revenue Monitoring reports. All potential growth areas were reviewed by internal challenge as to their validity and justification. This includes items of a corporate nature held as a central liability such as future pay awards.

3.30 The Budget 2017/18 includes £13.5 million for the financial pressures that have occurred in 2015/16 and reoccurred in 2016/17. Reported through the regular Revenue Monitoring updates these have been in the main in the areas of Adult and Children's Social Care where increased demands plus slippage of savings have led to overspends. In 2016/17 this was covered by the allocation of the Revenue Budget Contingency, again funded from balances.

3.31 The £7.5 million of growth reflects in the inclusion in service budgets of amounts for children's social care and the non-achievement of savings in other areas. This investment provides a planned and robust approach to the budgetary pressures that the Council continues to face in a number of specific areas. A further amount of £6 million has been included in the Revenue Budget Contingency for 2017/18. Further details of which are provided later in this report.

3.32 Inflation and Pay Awards – A 1% annual pay award (rather than the original 2%) has been included with contractual inflation of £3.3 million assumed for 2017/18. The provision for general price increases was assumed in the projections but is removed under the proposals so inflationary pressures will be accommodated within existing budgets.

3.33 Investment in services to meet demand pressures - A number of assumptions have been made in growth to cover demand led pressure within Adult Social Care and Children's Care. The former mitigated by the increased funding from the Adult Social Care Grant and the phasing of the Adult Social Care Precept. Increases in the National Living Wage will impact upon a number of organisations that provide care and who are contracted to carry out functions on behalf of the Council. An amount has been included in projections to fund the increase in costs expected as a result of announced rises from April 2017.

3.34 Within the proposals presented in December 2016 under Income and Resources Management there are proposals which have removed projected growth assumptions including price increases, capital financing, unallocated growth and a reduction in the pay rise.

3.35 Similarly the revisions presented in Table 3 have reduced the growth requirements. These changes include levies, the reduction in Education Services Grant and the deferring of the ending of support from the Community Fund of a number of Council housing related services.

Table 5: Summary of the Growth

	2017/18
By Change	£m
Revenue Budget Contingency 2016/17 (in service budgets)	7.5
Revenue Budget Contingency 2017/18 (additional amount)	6.0
Inflation and pay awards	8.4
Investment in Services for increased demands	4.6
Other (levy, grant changes)	5.1
Unallocated Growth (legislative)	2.3
Original Growth	33.9
Proposals to reduce growth	-8.7
Revised Growth	25.2

LEVIES

3.36 There is a statutory requirement to agree the levies for 2017/18 before 14 February 2017 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.

3.37 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 2 February 2017. 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 2017/18 reduces by £2.5 million (10%) which is in line with the projected amount included in forecasts made in December 2016.

3.38 The Merseyside Recycling & Waste Authority met on 3 February 2017 and agreed the Waste Levy for 2017/18. This required the use of balances in order to mitigate a 0% increase in the levy for the coming year. It is anticipated that the increase for 2018/19 will be in the order of 11.5%. The finalisation of the amount for 2017/18 is factored in to a revision to the financial position and has resulted in an improvement of £0.6 million.

3.39 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 2017/18.

PENSIONS

3.40 The Merseyside Pension Fund was subject to the triennial valuation in 2016. The actuarial assessment determines both the Contribution Rates for Employers and the Deficit Recovery Payments for the financial years 2017/18 to 2019/20. The next valuation is due in 2019 and will impact upon the payments for 2020/21 to 2022/23.

3.41 Contribution rates have been set at 13.6% for 2017/18 (no increase on the rate for 2016/17), 14.6% for 2018/19 and 15.6% for 2019/20. The amount paid will be based upon payroll costs and numbers employed so will vary with changes in the workforce. The Deficit Recovery payments are a separate element subject to annual change 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. As part of the revaluation a funding strategy for the period to 2020 has been agreed with the Fund. The annual sum in respect of the recovery of the historic pension deficit is to be paid for the three tears in April 2017 which secures a discount on the annual sum due for the three year period 2017/18 to 2019/20.

Table 6: Pension Costs

Description	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Budget Assumption	12.0	9.8	9.4	1.5
Revised Deficit Recovery	9.8	9.4	8.9	Tbc
Deficit Recovery 2017/18-2019/20 Annual Change	-2.2	-0.4	-0.5	Tbc
Revised Contributions	0	1.0	1.0	Tbc
Impact of 2019 Revaluation	0	0	0	1.4
Total Change in Costs	-2.2	0.6	0.5	-0.1

3.42 The budget projections for 2017/18 originally included an amount of £2.5 million, which has now been revised to £0.3 million, a reduction following the recent agreement of the funding strategy. Amounts have been included in future years to cover the increase in contribution rates and changes in the deficit recovery amounts.

FEES AND CHARGES

3.43 With Business Rates to be retained locally from 2020 and the phasing out of the main Government Revenue Support Grant income generation assumes even greater importance. The Council continues to look at income opportunities having regard to the level of risk and linkages to the priorities as set out in the Wirral Plan and in the underpinning Growth, Treasury Management and Asset Management Strategies. Within the range of income sources is also that received through fees and charges.

3.44 Within the Growth Strategy are the areas of developing and expanding business growth which brings economic benefits to Wirral as well as additional income from Business Rates and from increasing the housing stock on Wirral with this generating additional Council Tax income.

3.45 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held (be it through Government Grants received in advance of the need to spend or sums held in balances to meet unplanned spending or reserves required to meet future spend) in areas to generate an income having regard to the risks associated with investment. Also the minimising of borrowing costs (through the use of internal funds to defer the need to borrow).

3.46 Within Asset Management there is investment made in properties which generate a return such as Industrial Units and through working with Wirral partners assets deemed as surplus to requirements are released which both reduces running costs and also generates income through Capital Receipts.

3.47 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.

3.48 Directorates have examined their fees and charges 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 2017/18 Budget. Appendix 3 provides detail.

3.49 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 2017.

3.50 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.

LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)

3.51 The Provisional LGFS was announced on 15 December 2016 and the consultation closed on 13 January 2017. The Final Settlement is due to be announced in late February 2017. It is currently anticipated that this will not significantly change so will not alter the draft Budget2017/18 and any variations will be reflected in the use of General Fund Balances for the year.

3.52 The Settlement announced no new grant funding in total. It sees Wirral's main Revenue Support Grant reducing by £14 million in 2017/18. In 2016/17 Wirral received £51 million and for 2017/18 the announced amount is £37 million. The Government in the 2016/17 Settlement made a four year funding offer to all local authorities. This covered: Revenue Support Grant, Business Rate Tariff and Top-up payments, Rural Support Delivery Grant and Transition Grant. Wirral does not receive the last two grants. The 2017/18 Settlement announced that 97% of Councils had accepted the offer. As a consequence of accepting the offer Wirral's grant amounts will be the same as those contained in the December 2016 budget projections.

3.53 The Settlement announced the 100% Business Rate Retention (BRR) pilots for 2017/18 including the Liverpool City Region. Wirral as part of the pilot will not receive a direct payment of RSG in 2017/18. Funding to the same amount of RSG will come from the direct receipt to the Council of 99% of all business rates raised (1% is due to Merseyside Fire and Rescue Service) and Top-up grant that the Council receives. The pilot is being agreed with Government on the basis that the Council suffers no detriment to its funding when compared to the funding, announced in the LGFS that would have been received without the pilot being operational. The Memorandum of Understanding is at Appendix 7 and will be confirmed in the final settlement.

3.54 The Government announced that it will allow the Adult Social Care Precept to increase from 2% to 3% on condition the total increase to 2019/20 does not exceed 6% over the three years. The total allowable Precept rise over the period is unchanged but the earlier implementation is a cash benefit. The Precept element of the Council Tax has to be separately identified on the Council Tax bill and its purpose is to help meet the pressures for adult care services. The details of this have to be reported by the S151 Officer to Government demonstrating that the additional financial resources from Council Tax have been allocated to Adult Social Care budgets in the year that it is levied. The Referendum threshold for general Council Tax increases remains at 2%.

3.55 The Government confirmed previously announced plans to transfer £800 million to the Improved Better Care Fund. The changes announced divert a further £241 million to the new Adult Social Care Grant for 2017/18 to fund social care services in areas identified as being of higher relative need. As part of the Settlement the Council lost a further £0.7 million (above the projected £0.2 million) of Bonus in 2017/18 rather than 2018/19.

3.56 The Council is to receive £1.8 million in new Adult Social Care Grant in 2017/18 (this can be compared to the loss of New Homes Bonus of £0.9 million in 2017/18). This is additional funding but must be allocated to Adult Social Care. Additional funding from the Improved Better Care Fund was announced being made available from the £800 million transferring from New Homes Bonus. It has also been allocated to areas deemed of higher need with lower ability to raise resources through the Precept. The Council is due to receive the £1.4 million (2017/18) rising to £8.3 million (2018/19) and £14.3 million (2019/20) of Improved Better Care Fund. This was assumed in the Budget report on 8 December 2016.

3.57 Since April 2015 a Better Care Fund (BCF) pooled budget arrangement has been in place with Wirral Clinical Commissioning Group (CCG) and operates under Section 75 joint governance arrangements being hosted by the Council. 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 comprises existing CCG and Council funding with the Council funding including Disabled Facilities Grant, Social Care Capital Grant and the NHS Social Care Transfer Grant. The allocations for 2017/18 are awaited. Government has announced the allocation of the Improved Better Care Fund that will be paid direct to the Council.

3.58 The Government confirmed Public Health Grant for 2017/18 at £29.8 million which is as expected. The reduced Education Services Grant announced was £0.9 million higher than the projected loss.

COUNCIL TAX

3.59 Cabinet on 8 December 2016 agreed the Council Tax Base for use in 2017/18. 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.

Table 7: Wirral Council Tax Band D calculation 2017/18

Band	Properties 2016	Changes due to C Tax Support, discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	60,062	-25,687.4	34,374.6	6/9	22,916.4
B	32,275	-7,543.0	24,732.0	7/9	19,236.0
C	27,124	-4,209.6	22,914.4	8/9	20,368.4
D	13,290	-1,492.4	11,797.6	9/9	11,797.6
E	8,121	-707.1	7,413.9	11/9	9,061.4
F	4,254	-321.1	3,932.9	13/9	5,680.9
G	3,099	-207.9	2,891.1	15/9	4,818.5
H	262	-33.1	228.9	18/9	457.8
Band A Disabled *(1/9th of Band A)*		71.5	71.5	5/9	39.7
Total	148,487	40,130.1	108,356.9		94,376.7
Collection Rate					x 96.75%
Adjusted Council Tax-Base					91,309.5

3.60 The increase in the Council Tax-Base from 2016/17 to 2017/18 will result in increased Council Tax income of approximately £1.3 million in 2017/18. Wirral's share of the precept after the non-collection allowance is applied will be £1.1 million. This amount has been reflected in the 2017/18 Budget.

3.61 Cabinet / Council in December 2016 announced that the assumption was that Council Tax levels would be increased 1.99% and the 2% Adult Social Care Precept subject to the Settlement. The Government announced that the Adult Social Care Precept will be allowed to increase by 3% in 2017/18 and in 2018/19 on condition that the total increase to 2019/20 does not exceed 6% over the three years. The Referendum threshold for general Council Tax increases remains at 2%. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2016/17 and 2017/18 (includes levies).

3.62 The decision on the level of Council Tax is made by Council in March. The current proposals containing for 2017/18 assume that general Council Tax will increase by 1.99% and the Adult Social Care Precept by 3%.

Table 8: Council Tax Options 2017/18

Options	£m
Tax Rise of 1.99% for Council Services	2.5
Tax Rise of 3% for Adult Social Care	3.6
Tax Rise of 4.99% being below the Referendum Level	6.1

BUSINESS RATES

3.63 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.

3.64 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, will cease 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 in 2017/18 plus a Rates Top Up grant to ensure that there is no detriment to Wirral's funding resulting from the pilot scheme.

3.65 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.

3.66 Business Rates are managed through the Collection Fund with any surplus / deficit in 2016/17 being allocated to Central Government 50%, to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%. .From 2017/18 Wirral will retain 99% with Merseyside Fire and Rescue Service receiving 1%. A declaration of an estimated surplus or deficit for the 2016/17 financial year together with a forecast for 2017/18 had to be submitted to the Government by 31 January 2017. The forecast Business Rates income for 2017/18 shows that the receipts to the Council will increase by £2.1 million from the 2016/17 levels and is higher than projected sum is reflected in Table 2. For 2018/19 additional income of £3.5 million has been included in the Budget projections.

3.67 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 2017/18 is awaited from Government.

3.68 There remain uncertainties around the operation of Business Rates. Confirmation of the operation and funding of the Business Rates Pilot across the Liverpool City Region is linked to the Final Settlement and will be based upon the Memorandum of Understanding that was issued on 9 February 2017. The complexity and volatility have been highlighted previously and are compounded with the Revaluation in 2017. It is recommended that a £5.4 million earmarked reserve is established to cover the financial impact of fluctuations in the yield from Business Rates over the initial years of the pilot. The forecast income and the creation of a new earmarked reserve have been reflected in the Budget for 2017/18.

LEVEL OF GENERAL FUND BALANCES

3.69 The level of General Fund Balances and reserves are key components of the Councils 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.

3.70 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. Despite the certainty given by the Settlement the financial future for the Council continues to be challenging and a number major uncertainties remain. In determining the appropriate level the Section 151 Officer has assessed a number of factors. This takes account of the strategic, operational and financial risks 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).

3.71 Appendix 3 has the calculation updated and adapted for 2017/18 with the main change being a reduction in the risk associated with social care budgets. This reflects the mitigation provided by the additional funding due in 2017/18 from the increase in the Adult Social Care Precept, the Adult Social Care Grant and Improved Better Care Funding. In addition, the integration with Health will commence in 2017/18 reducing the risk factor further as this approach to the provision of services is viewed as an improved way to manage demand. The risk of inflation has been revised upwards for supplies and service costs. A risk amount to cover the deliverability of the savings, in line with the practice for 2016/17, has been included in the Revenue Budget Contingency for 2017/18.

Table 9: Summary of the Assessed Level of General Fund Balances

	2016/17	2017/18
	£m	£m
Assessed at February 2017	11.5	10.0

3.72 The latest Revenue Monitoring Report Quarter 3 (December 2016) showed the projected balance at 31 March 2017 to be £11.8 million. This is based on a projected underspend of £0.4 million. The projected amount is £1.8 million above the target and will I be used to support the Budget in future years. Any further underspending in 2016/17 and reduced call on balances will all be allocated in the same away. This will be detailed in the financial outturn for the year.

Table 10: Summary of the Projected General Fund Balances 2016/17

Details	£m
Predicted Balance 31 March 2017 when setting Budget 2016/17	11.5
Add : Increase following closure of 2015/16 Accounts	+1.3
Add : Increase Returned New Homes Bonus	+0.2
Less : Transfer to General Fund Budgets re:care fees and passport for life	-1.6
Add : Potential underspend at December 2016	+0.4
Projected balance 31 March 2017	11.8

REVIEW OF RESERVES

3.73 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 2017/18 Budget. The review recommends the release of £9.2 million as detailed in Appendix 4 as being no longer required and will be transferred to General Fund balances to support the budget in 2017/18 and 2018/19.

3.74 **Table 11: Categories of Reserves**

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates, etc.
TRANSFORMATION FUND Support the development and transformation of the Council which includes the 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 and were the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements

REVENUE BUDGET CONTINGENCY

3.75 It is proposed that the Revenue Budget Contingency established in 2016/17 will continue to be included in the 2017/18 budget. Funded by General Fund Balances it will be supplemented by the distribution of the Collection Fund Surplus and the release of Reserves. This source of funding within the Revenue Budget is to mitigate a number of financial risks which while not all definitive could occur in 2017/18 and to bridge the implementation of transformational savings in Social Care in future years.

3.76 The Revenue Budget Contingency for 2017/18 is to provide cover risks that has previously been identified in this report.

Table 12: Risk / Pressures in the Budget 2017/18

Summary of Risks / Pressures 2017/18	£m
Adult Social Services The relates to the overspend and increased costs identified in 2016/17 for which funding is reflected in the Contingency	5.4
Children's Services Looked After Children The forecast overspend in 2016/17 within Children's Social Work and Looked After children Commissioned Services is reflected in this element of the contingency.	5.0
Delivery of 2017/18 Proposals The delivery within Budget and within year the proposed savings	2.0
Total risks / pressures	12.4

3.77 Adult Social Services - In 2016/17 the service has faced increasing numbers of clients and increase care fees. £5.4 million was included in the budget for the service to cover these costs from the Contingency and General Fund balances in 2016/17.With the transformation of services and integration with health partners to deliver future efficiencies together with the increasing sums from the Improved Better Care Fund to bridge the budget before additional funding resources are received from 2018/19 it is proposed to repeat the inclusion in the contingency of this amount in 2017/18.

Adult Social Services latest monitoring at December 2016 indicates that the services will overspend in the current year by £4.5 million. This is over and above the £5.4 million. This overspend is not being incorporated into the contingency for 2017/18 as the additional funding due from the new Adult Social Care Grant and the additional increase in the Adult Social Care Precept will be allocated to fund these pressures.

3.78 Children's Social Care – The forecast overspend for 2016/17 for Children's Services is £4.6 million. The pressures for the current year are attributable to the increased Social work service costs due to agency staff and an increase in the number of packages of care for Looked after Children. This is over and above the £5 million allocation of the 2016/17 Revenue Budget Contingency to the services budget in 2017/18. It is recommended that as part of the Contingency for 2017/18 that £5 million is included this area.

The implementation of the recommendations from the Ofsted inspection in 2016 is anticipated to take time to transform Children's Services and will not be completed until at least 2019. It is due to this that it is prudent at this stage to assume that the focus will be on implementation and that the reduction in the number of Looked after Children is unlikely to change significantly before April 2017. Therefore it is proposed to include in the contingency a sum to reflect the potential that numbers will not change early in 2017 but that the service transformation will begin to be realised during the next financial year.

3.79 Savings Contingency – An assessment of the financial proposals for 2017/18 has indicated that the majority will be achieved. However a number of proposals involve income generation or further staff consultations which bring risks so a sum has been included for the potential that not all savings will be implemented in full in 2017/18.

3.80 The use of this contingency will be monitored during 2017/18 and within the Financial Monitoring reports to Cabinet, prior to any potential continuation across the MTFS period. This allows sufficient time to implement the savings proposals and required transformation whilst avoiding risk associated with the high level of savings the Council is required to make.

Table 13: Revenue Budget Contingency Elements and Resourcing

Revenue Contingency 2017/18 – Elements	£m
Revenue Budget 2016/17 – Continuation Comprising of £5.4 million for Adult Social Services and £0.6 million from the unallocated contingency from 2016/17 Revenue Budget 2017/18- New Amount Comprising for £5 million for Children's Social Care and £1.4 million to take the Savings Contingency to a total of £2 million	6.0 6.4
Total	12.4

RESULTING PROPOSED REVENE BUDGT 2017/18

3.81 The proposed budget for 2017/18 reflecting all the details in this report and the appendices is set below. Further details are provided in Appendix 5:

Table 14: Budget Summary 2017/18

	Budget 2016/17 £m	Draft Budget 2017/18 £m	Budget 2017/18 (Business Rates Pilot) £m
Forecast Income			
Revenue Support Grant	50.7	37.0	-
Top Up	41.6	50.4	50.4
New Homes Bonus	3.2	2.3	2.3
Business Rates	34.8	30.9	-
Business Rates Pilot Scheme	-	-	67.9
Business Rates S31 Grants	2.1	6.5	6.5
Improved Better Care Fund	-	1.4	1.4
Council Tax	120.3	127.4	127.4
Contribution to Business Rates Reserve	-	5.4	5.4
General Fund Balances	11.8	15.6	15.6
Total Forecast Income	**264.5**	**266.2**	**266.2**
Forecast Service Expenditure			
People	145.9	155.2	155.2
Environment	63.3	59.6	59.6
Business	43.3	39.0	39.0
Revenue Budget Contingency	12.0	12.4	12.4
Total Forecast Expenditure	**264.5**	**266.2**	**266.2**

Impact on General Fund Balances

3.82 The Budget includes the use of £9.2 million of General Fund Balances to support the Revenue Budget. A further sum of £6.4 million has been allocated to the Revenue Budget Contingency. This on-going support to the budget reflects the longer time-frame to implement the transformational changes required to move the Council on to a new financially self-supporting basis as Government support for general services reduces and the Council becomes reliant upon only local sources of income. The Balances are being supplemented from the Collection Fund and Earmarked Reserves as set out in the table below. The Collection Fund 2016/17 report agreed to the distribution of the 2016/17 surplus with the Council receiving a "one-off" distribution of £3.9 million and £0.7 million from Council Tax and Business Rates collection respectively. The release of Earmarked Reserves is referred to in section 3.73 and Appendix4.

Table 15: Projected General Fund Balances

Details	2017/18 £m	2017/18 £m
General Budget Balances as at 1 April 2017		11.8
Add: Transfer from the Collection Fund		
Council Tax	+3.9	
Business Rates	+0.7	+4.6
Add: Transfer from Earmarked Reserves:		
Insurance Fund	2.5	
Business Rates Reserve	4.7	
Housing Benefit Reserve	1.0	
Support to Services	1.0	+9.2
Less: Support to Revenue Budget	-9.2	
Support to Revenue budget Contingency	-6.4	-15.8
General Fund Balances 31 March 2018		10.0
Target General Fund Balances 31 March 2018		10.0

3.83 The planned use of Balances will result in Balances of £10 million at the end of the financial year which is in line with the recommended locally determined level. The release of Earmarked Reserves significantly reduces the level held and is in line with the reduced financial risks due to the acceptance of the four year funding Settlement and the longer term financial planning approach and monitoring that is in place.

3.84 Over the MTFS period Balances will be used to smooth the implementation of the proposals detailed in this report. This will allow time to plan future savings effectively to ensure that they are deliverable and their impact of residents and service users is kept to a minimum.

3.85 Over the MTFS period the Council intends to utilise both the Transformation Fund and capital resources through the flexible use of capital receipts to finance the transformation of a number of services.

CAPITAL AND INVESTMENTS

3.86 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. The report concludes that the Programme can be accommodated from existing borrowing and the present, and projected, capital receipts. The revenue implications from the Programme are included within the Revenue Budget.

3.87 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. Whilst this further reduces the income from investments it does realise greater savings in respect of reduced borrowing costs.

3.88 The realisation, and use, of significant capital receipts during 2017/18 will enable the Programme to be funded from a combination of grants, capital receipts and borrowing. This reduces the need for external borrowing and achieves £2 million Capital Financing efficiency savings for 2017/18.

3.89 The Government also announced flexibilities over the use of Capital Receipts received after the 1 April 2016 for a period of three years as they can be used to support revenue spending in the area of transformation. This approach has to be set out in the Medium Term Financial Strategy reported elsewhere on Cabinet agenda and if agreed by Council will provide further resources to supplement the Council's Transformation Reserve. The restrictions regarding using capital to fund general revenue spending remain.

ROBUSTNESS OF THE ESTIMATES

3.90 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.

3.91 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. It contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

SETTING THE COUNCIL TAX LEVELS

3.92 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 2017/18 is not excessive meaning that a Referendum is not necessary.

3.93 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 2017/18 with that for 2016/17 for the Council's basic amount of Council Tax. The Local Finance Settlement 2017/18 sets the Referendum 'trigger' at 4.99% for Adult Social Care authorities with 3% being for Adult Social Care.

3.94 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 2017/18.

4.0 FINANCIAL IMPLICATIONS

4.1 The Budget projections for 2017/18 as set out in Table 1 updated to reflect the changes since December 2016 and the continuation of the Revenue Budget Contingency show that a balanced, and deliverable, Budget can be set. This includes a 4.99% increase in Wirral Council Tax with 3% relating to the Adult Social Care Precept.

Table 16: Changes to Budget Proposals and Budget Gap

Projected updated Budget Gap	**£m**
Original Budget Gap	45
Less: Proposed Savings December 2016	-34
Budget Gap met by Use of Balances at December 2016	11
Less : Updated Budget Proposals	-2
Budget Gap met by Use of Balances at February 2017	9

4.2 Looking at future years the Budget Gap will be addressed through the development of the indicative proposals set out in the MTFS. These follow the budget themes developed and used to formulate budgets in 2016/17 and 2017/18 being Delivering Differently, Income and Resources and Services Changes. The plans subject to change and review and progress will be reported back to by a combination of additional income and savings / efficiencies.

4.3 The level of General Fund Balances is projected to be in the order of the £10 million minimum required for 2017/18.

5.0 LEGAL IMPLICATIONS

5.1 The Council is required to agree a Budget for 2017/18 by 10 March 2017. 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 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 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 ICT continues and the future years will see the development and implementation of a Digital Strategy. In respect of assets the Council is reducing the number of buildings it has in order to reduce running costs and also generate capital receipts from the disposal of surplus assets which are used to fund capital investment. Those proposals that include implications for staff form part of the engagement and consultation with Trade Unions and employees.

7.0 RELEVANT RISKS

7.1 The financial position for 2017/18 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. Further mitigation is provided through the publication and acceptance by the Government of the Council Efficiency Plan in 2016.

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 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.

7.4 The scale of the financial challenge and the Council's ambitious response to enable it to deliver the very best outcomes from increasingly limited resources inevitably carries risk. To mitigate the risks associated with the delivery of the transformation required, which includes the identification and progression of different ways of Delivering Services, a Transformation Programme has been developed. Funding for implementing the change exists in the Transformation Fund and Capital programme.

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 le services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2017/18 preparation has included an assessment of the level of General Fund Balances.

7.6 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 6.

8.0 ENGAGEMENT/CONSULTATION

8.1 Following Cabinet on 8 December 2016 the required consultation and engagement with residents, partners and stakeholders where required has been undertaken. 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 Financial Proposals 2017/18
Appendix 2 Fees and Charges 2017/18
Appendix 3 Level of General Fund Balances
Appendix 4 Reserves
Appendix 5 Draft Budget 2017/18
Appendix 6 Chief Financial Officer Statement (Robustness of Estimates).
Appendix 7 Liverpool City Region Business Rates Retention Pilot Scheme (Memorandum of Understanding)

REFERENCE MATERIAL

Council Budget 2016/17 agreed by Council on 22 February 2016.
Autumn Statement issued by HM Treasury on 23 November 2016.
Provisional Local Government Finance Settlement 2017/18 issued by the Department for Communities and Local Government – 15 December 2016.
Section 25 Local Government Act 2003.
Wirral Efficiency Plan October 2016.

SUBJECT HISTORY

Council Meeting	Date
Council	3 March 2016
Cabinet	8 December 2016
Medium Term Financial Strategy and Budget 2017/18	
Budget Council Agenda and Procedure 6 March 2017	
Council Tax Base 2017/18	

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APPENDIX 1

BUDGET PROPOSALS 2017/18

SUMMARY

THEME	£m
Delivering Differently	5.4
Income and Resources	29.7
Service Changes	1.6
TOTAL PROPOSALS	**36.7**

DETAIL

The narrative includes an update since the Cabinet report on 8 December 2016.

DELIVERING DIFFERENTLY	17/18 £m	NARRATIVE OF PROPOSAL
Leisure and Cultural Services	0.80	Increased income following capital investment plus changes to operations at Woodchurch
Access Wirral	0.30	Removal of vacant posts
Adult Social Care Integration	2.90	The NHS & Social Care integration transformation projects and including learning disabilities. Linked to increased income from the Precept, Improved Better Care Fund and Adult Social Care Grant
Children's Services Managing Demand	1.40	Funding from the Revenue Budget Contingency and the Transformation Programme.
DELIVERING DIFFERENTLY	**5.40**	

INCOME AND RESOURCES: REVISED ASSUMPTIONS	17/18 £m	NARRATIVE OF PROPOSAL
Revised Pay Assumptions (now 1%)	1.00	Reductions in the sums originally identified based on updated assessments with no impact on services
Removed General Prices Inflation	0.50	
Removed Unallocated Growth	2.30	
Reduced Treasury Management costs	2.00	Commercial approach over the use of finance related opportunities with no impact on services
Re-profiled Pension payments	2.20	
Capitalised Transformation Team	0.50	
Community Fund (2017/18 only)	0.75	
REVISED ASSUMPTIONS	**9.25**	

INCOME AND RESOURCES: INCREASING INCOME	17/18 £m	NARRATIVE OF PROPOSAL
Council Tax Increase	2.46	Tax increase of 1.99%
Adult Social Care Precept	3.60	Must be allocated to Adult Social Care. Profile now changed to 3% in 2017/18.
Housing Growth	1.10	Growth reflected in Council Tax Base
Improved Better Care Fund	1.40	Must be allocated to Adult Social Care
New Adult Social Care Grant (2017/18 only)	1.80	Must be allocated to Adult Social Care
Adult Social Care Integration	-2.90	Increased income linked to the Delivering Differently transformation projects.
Business Rates	2.10	Projected growth which has increased
New Homes Bonus (phasing out)	-0.91	Reduction in Bonus now revised
Litter and Dog fouling Fines	0.20	Including the fines income in the Budget
INCREASING INCOME	**8.85**	

INCOME AND RESOURCES: COMMISSIONING / CONTRACTS	17/18 £m	NARRATIVE OF PROPOSAL
Estates and Assets Management	0.70	Office closures and disposals
Range of Efficiencies	0.60	Small contracts / procurement – no impact
Digital (IT Savings)	0.20	Contracts and procurement
Supported Housing Contracts	0.75	Contract for housing / homelessness
Public Health (Renegotiated Contracts)	3.00	Revised contracts and new commissioning approaches on public health services.
Changes in Waste Contract	0.50	Reduction in value of Biffa contract
LCR Integration of Adult Safeguarding	0.20	Integrated adult safeguarding hub
Waste Levy	0.60	Levy agreed with 0% increase
Transport Levy	2.50	Levy agreed with 10% reduction
COMMISSIONING / CONTRACTS	**9.05**	

INCOME AND RESOURCES: FEES & CHARGES	17/18 £m	NARRATIVE OF PROPOSAL
Fees & Charges – general	0.65	Review and increase of charges which includes court costs, advertising and others
Car Parking	0.85	Encompasses three proposals regarding existing tariffs and new charges at country parks and New Brighton and town centres
Leisure Centres	0.50	10% price increase on Membership products and pay & play at leisure centres
Garden Waste Collection	0.40	£5 Increase and removal of £5 on-line discount
Business Rates Discretionary Relief	0.15	Policy retained with proposal based on organisations eligible for Small Businesses Rate Relief and a Schools contribution
FEES & CHARGES	**2.55**	
INCOME AND RESOURCES	**29.70**	

SERVICE CHANGES	17/18 £m	NARRATIVE OF PROPOSAL
Senior Management Reduction	0.50	Staff reductions, targeted at upper management
Voluntary Redundancy Programme	0.50	
Training Budgets	0.30	One year pause in spending on car park maintenance, constituency committees and staff training (excluding children's services)
Car Park Maintenance	0.08	
Constituency Committees	0.20	
Total SERVICE CHANGES	**1.58**	

APPENDIX 2

FEES AND CHARGES 2017/18

1.0 SUMMARY

1.1 This report sets out the fees and charges proposed for Council services for the year 2017/18. In accordance with best practice, fees and charges the authority have been reviewed by Business Support and Business Units; the Council follows good practice by maintaining and publishing a comprehensive Directory of its Fees and Charges each year. Income is of increasing importance and there has been a significant effort made to identify all chargeable services and maximise income to the Council.

2.0 BACKGROUND INFORMATION

REVIEW OF CHARGES FOR 2017/18

2.1 Wirral receives income to pay for its services from a number of different sources including:

- Grants from central government
- Grants from other public bodies
- Council Tax and Business Rates
- Fees and Charges

2.2 Wirral provides a wide range of services; some free to users and some charged for. The income from the charged-for services is a key resource to support the funding of services and generates over £40 million per year. Charges are set with the framework of the Medium Term Financial Strategy, the charging policy and legal requirements.

2.3 Fees and charges for statutory services are often set subject to national guidelines. There may be circumstances where the charge is set to manage demand or deter certain behaviour, such as litter fines. The remaining charges for services are discretionary in nature, covering a wide range of services such as Pest Control and Leisure Centres. The Budget proposals include recommendations for fees and charges for 2017/18 following reviews by all service managers.

2.4 A comprehensive Directory of Fees and Charges containing a description of the charge, VAT status and the level of charge in 2017/18 and previous years is held on the Council web-site and updated annually.
http://democracy.wirral.gov.uk/ecSDDisplay.aspx?NAME=SD1172&ID=1172&RPID=502293778&sch=doc&cat=13651&path=13651

2.5 Whilst many fees and charges are unchanged from 2016/17 a number have changed resulting from new legislation or from savings already agreed and have been included in the Directory. Some charges included in the Directory are awaiting final decisions on their implementation and will be confirmed and amended as necessary prior to publication of the Directory in April 2017.

2.6 In general the Council is seeking to cover the full cost of providing services and where it is possible to do so, and in line with the Council's service priorities, the aim has been to move to full cost recovery. As a consequence some charges are being increased by more than the current measure of inflation.

2.7 To enable changes to be implemented as soon as possible to maximise income generation delegated authority is requested for the relevant Director in consultation with the relevant Portfolio Holder and Assistant Director : Finance (/Section 151 Officer) to vary existing fees and charges. Whilst there is an annual review as part of the budget setting process this delegated authority enables a more timely response to changes in the commercial climate and maximises the benefit to the Council financial position.

3.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

3.1 The income from Fees and Charges is an integral part of the Council Budget.

4.0 RELEVANT RISKS

4.1 Whilst budgets for income from fees and charges are set with regard to whether they are statutory or discretionary, the achievement of income targets can be influenced by a number of factors including the local economic situation. These factors are mitigated by keeping charges under constant review and amending budgets where required to reflect what is deemed achievable.

5.0 EQUALITY IMPLICATIONS

5.1 Increases in fees and charges may impact upon certain groups such as those on lower incomes. Policies to offer discounts or apply means tests will help to mitigate these impacts. The implications of specific charges will be addressed by the relevant Directors when implementing any changes.

6.0 RECOMMENDATIONS

6.1 That Delegated Authority be given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2017.

6.2 To agree to delegated authority to the relevant Director in consultation with the relevant Portfolio Holder and Assistant Director : Finance (Section 151 Officer) to vary existing fees and charges.

6.3 Approval of the policy for fees and charges as detailed in Annex 1.

Annex 1

Draft Pricing and Charging Policy

Introduction

The setting of fees and charges is important as it determines who pays for what and what services the Council will subsidise.

The aim of this policy is to provide guidance on the setting of fees and charges. This policy is a framework as well as it gives details of what needs to be considered when reviewing charges.

The purpose of this document is to:

- Give a consistency and cost effective approach to charging.
- Set out the factors that need to be considered i.e. factors to be considered when reviewing.

This document covers the following

- Scope of Charging
- Reviewing Charges
- Factors to consider in an annual review
- Concessions

Scope of Charging

The Council will charge for services except where there is a clear and formal decision not to do so.

Overriding Principles when setting Charges

- To set charges at a level that achieves both optimum take-up and maximisation of income to the Council.
- Charges raised should be sufficient to cover the full cost of providing the service in question. The total cost should be based on the direct costs of service provision including staff, supplies and services etc plus support service costs.
- Where this is not possible the reason for not doing so the subsidy to the service by the Council Taxpayer should be justified in terms of how this will achieve the Wirral Plan and the 20 Pledges.

Reviewing Charges

For all services an review of charges should be undertaken at least annually. This can be as part of the budget setting /process. This should fit in with service objectives, changes in markets that services operate in, changes in customer inclinations and budgetary pressures.

A record of all services reviews should be maintained i.e. records, supporting evidence to justify the decisions made.

Factors to consider in an annual review

The review of charges should consider the following:

- Inflation – All charges should increase at least in line with inflation. The reasons for doing so should be known, specified and recorded.

- Competition – The actual or potential consequences of any service competitors on service use of any change in prices should be assessed.

- Take up of the Service- The trend in the use of the service i.e. current take up and potential take up of the services may be affected by changes in charges.

- Budget requirements- The requirements of the Medium Term Financial Strategy and the need to make budgetary changes.

- Costs – Services are expected to cover costs wherever possible. A potential change in charges should assess how far a service has reached this objective.

- The use of Alternative/Flexible Charging Structures - The use of alternative charging structures should be considered especially if they are more effective in delivering income. This may include an assessment of the effectiveness of the use of alternative charging in the past. For certain services differential charging, promotional charging, flexible charging (i.e. charges for a standard/premium service, fast/high quality service), frequent user discounts should be considered.

- The method and the cost of income collection - How much is the costs of collection when assessed against the income generated.

Concessions

Concessions should only be offered to help achieve specific Wirral Plan objectives and 20 Pledges.

APPENDIX 3

LEVEL OF GENERAL FUND BALANCES

1.0 EXECUTIVE SUMMARY

1.1 This Appendix sets out the level of General Fund balances the Council maintains and the approach that has been used to determine this level.

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

2.1 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.

2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to Councils on the assessment of the adequacy of unallocated general reserves. This recommends that an assessment of risks both external and internal should take place when the Council is setting its annual budget. The Council needs to have in place arrangements to ensure its' sustainable financial health and have measures in place to mitigate against financial risks. One aspect of this is the maintenance of sufficient General Fund balances.

LOCALLY DETERMINED LEVEL OF GENERAL FUND BALANCES

2.3 The level should be based on the Council's own specific circumstances. Grant Thornton in their report of December 2014, "Rising to the Challenge: the evolution of local government" identified best practice as follows:

- The Council operates within a locally determined appropriate level of reserves and balances.
- The General Fund balance is maintained at or above the locally agreed minimum level.

2.4 The setting and justification of General Fund balances is part of the Council Medium Term Financial Strategy. It is crucial the Council has sufficient balances, and earmarked reserves, to maintain financial standing and resilience. For local authorities there is no statutory minimum level and it is for each Council to take a view on the required level having regard to matters relevant to its local circumstances.

2.5 CIPFA guidance issued in 2014 states that in order to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.

2.6 CIPFA state that the financial risks should be assessed in the context of the Council's overall approach to risk management. In its paper "Local Authority Reserves and Balances" the following factors are relevant to determining the level of balances.

- The treatment of inflation and interest rates.
- The treatment of demand led pressures.
- The treatment of planned efficiency savings/productivity gains.
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject.

2.7 In determining the appropriate level of balances the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council takes into account of the main risks and uncertainties including:-

- Legislative changes
- Inflation
- Grants and Partnerships
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims
- Energy Security and Resilience

2.8 This has been Wirral Councils approach since November 2012 and is reviewed in line with CIPFA guidance. A consideration of the risks and the financial circumstances that might be faced by Wirral for 2017/18 has been made. The risk factors used in the Councils assessment are similar to those recommended by CIPFA guidance. It proposes a minimum level which the Council must maintain and updates the previous assessment of February 2016.

FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION

2.9 The Revenue Monitoring throughout 2016/17 has shown that the Council has been overspending in specific areas with an overall positive position predicted at the year end. Work continues for this financial year so that it continues to be delivered within the resources available. At December 2016 (Quarter 3) the projected underspend was £0.4 million. The process for the 2017/18 Budget has included a risk assessment of all savings.

2.10 Based upon the approach set out above and having regard to both the current financial position and the Budget for 2017/18 and beyond the calculation has been updated and is detailed in the Annex 1.

SUMMARY OF THE ASSESSED GENERAL FUND BALANCES

	2016/17	2017/18
	£m	£m
Assessed at February 2017	11.5	10.0

2.11 The February 2017 assessment for 2017/18 is a reduction on the assessed amount for 2016/17. The main change has been a reduction in the risk associated with the adult social care demand led budgets which reflects the mitigation provided by the additional funding due in 2017/18. This being from the increase in the Adult Social Care Precept, the Adult Social Care Grant and the Improved Better Care Funding. In addition, the integration with Health will commence in 2017/18 reducing the risk factor further as this is seen as an improved way to manage demand. The inflation risk has been revised upwards for supplies and service costs to reflected potential general rises that may occur and have been forecast by the Bank of England. A risk amount to cover the deliverability of the savings, in line with the practice for 2016/17, has been included in the Revenue Budget Contingency for 2017/18.

2.12 The 2016/17 General Fund balance risk calculation was for a minimum of £11.5 million at 31 March 2017. The latest Monitoring Report December 2016 (Quarter 3) showed that the projected position was £11.8 million. This is based on a projected underspend of £0.4 million. The projected amount is £1.8 million above the target amount of £10 million for 2017/18 and can support the General Fund Budget. Any further underspending in 2016/17 and reduced call on balances will be allocated in the same away. This will be detailed in the financial outturn for the year.

3.0 RELEVANT RISKS

3.1 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The holding of sufficient funds is to support resilience. The locally and risk based approach to the level of General Fund balance is in line with the achievement of this approach.

3.2 The calculation of the level of General Fund balances is based upon an assessment of risk against a series of key areas which takes into consideration the specific issues as they affect Wirral.

3.3 Setting General Fund balances to a % of the net budget or at a level of balances based on the level of regular Council expenditure and income e.g. two months of regular expenditure and income do not assess the specific circumstances that the Council faces.

4.0 RESOURCE MPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

4.1 The locally determined approach to General Fund Balances results in an assessed level of balances.

5.0 RECOMMENDATIONS

5.1 The level of General Fund balances recommended continues to be based on a locally determined approach to the assessment of the financial risks that the Council may face in the future.

5.2 The Council maintains its level of balances at, or above, the locally determined level of General Fund balances.

Annex 1

ASSESSMENT OF GENERAL FUND BALANCES 2017/18

Area of Risk	2017/18		
	Budget £000's	Risk Levels	Value £000's
Legislative Changes			
Local Business Rates Income	30,975	4.00%	1,239.0
Investments – Bank Bail in Arrangements	1,000	9.00%	90.0
Single Status	3,000	3.00%	90.0
	58,775.0		**1,419.0**
Inflation			
Employees	119,609	0.10%	119.6
Premises	15,349	0.75%	115.1
Transport	5,870	1.50%	88.1
Supplies	112,000	1.50%	1,680.0
Services	136,000	1.00%	1,360.0
	529,597.0		**3,362.8**
Grants and Partnerships			
Housing Benefits incl Admin Grant	140,769	0.50%	703.8
Better Care Fund	30,000	1.00%	300.0
Alternative Delivery operation	0	0.00%	500.0
	170,769.0		**1,503.8**
Volume / Demand Changes			
Capital Receipts	10,000	9.00%	900.0
Customer and Client Receipts	48,030	1.00%	480.3
Demand Led Budgets (Social Care)	92,000	1.00%	920.0
Collection Fund	127,430	0.25%	318.6
Winter Pressures	400	0.00%	0.0
	277,860.0		**2,618.9**
Budget Savings			
Budget Reductions (held in the Contingency)	**0**	**0.00%**	**0.0**
Insurance/Public Liability Third Party Claims			
MMI Liabilities	380	5.00%	19.0
Legal Liabilities	9,723	2.00%	194.5
Self-Insured Liabilities	2,977	2.00%	59.5
	13,198.0		**273.1**
Energy Security and Resilience			
Infrastructure failure	**3,000**	25.00%	750.0
Carbon Tax Legislation	**400**	20.00%	80.0
TOTAL			**10,007.5**

APPENDIX 4

RESERVES

1.0 EXECUTIVE SUMMARY

1.1 This is the mid-year review of the amounts held in reserves. It recommends the release of those reserves which are no longer required and for them to be added the General Fund Balances. This is then be available to support the General Fund Budget.

2.0 BACKGROUND AND KEY ISSUES

2.1 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the establishment and maintenance of local authority reserves which makes it clear that Councils when reviewing their Medium Term Financial Strategies should consider the establishment and maintenance of reserves.

2.2 Resources set-aside for specific purposes reserves should be established and used in accordance with the purposes intended. The minimum level of new reserves and provisions is set at £20,000 unless these relate to amounts held in trust all reserves are reviewed at least twice a year.

2.3 The Constitution and Financial Regulations require that any reserves which are established are monitored and used in accordance with statutory financial guidelines.

2.4 For each reserve there needs to be a reason for / purpose of the reserve and details of how and when the reserve can be used.

RESERVES

2.5 Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes. The categories of earmarked reserves are as follows:

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION Support the development and transformation of the Council which includes the 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 and the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements

2.6 Annex 1 provides details of the reserves which are no longer required and can be released.

3.0 RELEVANT RISKS

3.1 Regular Balance Sheet management is required to ensure that the authority has a sufficient level of funds to cover any future liabilities whilst being able to release any funding not required back to the General Fund for use in funding services and/or reducing Council Tax levels.

4.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

4.1 The setting and justification of provisions and reserves is a key element of the Councils financial process. At the start of 2016/17 the Council held over £73.9 million in earmarked reserves, prior to any release or use of reserves.

5.0 RECOMMENDATIONS

5.1 That the release of £9.2 million of Reserves be agreed.

5.2 That released Reserves be added to General Fund Balances to support the Revenue Budget.

REVIEW OF RESERVES AS AT FEBRUARY 2017 **Annex 1**

Summary of Reserves

Reserve Category	2015/16 Balance	Predicted Use	Amount to be released
	£	£	£
Insurance & Taxation	26,375,520	18,175,520	8,200,000
Transformation	11,657,256	11,657,256	0
Schools	14,858,824	14,858,824	0
Support	21,024,565	19,984,039	1,040,526
Total	**73,916,165**	**64,675,639**	**9,240,526**

Reserves to be Released

Reserve Category	Brief Description	2015/16 Balance	Predicted Use	Amount to be released	Comments on released reserves
		£	£	£	
Insurance & Tax	Insurance Fund	10,867,459	8,367,459	2,500,000	Release based on assessment of demands on the Fund.
Insurance & Tax	Housing Benefits	5,204,350	4,204,350	1,000,000	Release of sums held pending Audit as claims now completed.
Insurance & Tax	Business Rates Equalisation	10,303,711	5,603,711	4,700,000	Release following latest review of income for 2017/18. Risk that insufficient resources to meet loss of Rates income.
Insurance & Tax Total		**26,375,520**	**18,175,520**	**8,200,000**	

Reserve Category	Brief Description	2016/17 Balance	Predicted Use	Amount to be released	Comments on released reserves
		£	£	£	
Support	Children's Centre Income Reserve	6,548	-	6,548	Cover by Bad Debts Provision.
Support	Housing Renovation Loan Repayments (Home Improvement Fees)	308,806	186,000	122,806	Cover by alternative funding in the Capital programme.
Support	Environmental Health	21,601	-	21,601	Surplus to requirements.
Support	Grounds Maintenance and Utilities	124,658	74,658	50,000	Minor use and service agreed to release of amount.
Support	Wirral Home Improvement Agency	295,269	150,000	145,269	Amount reserved for service pilot with the balance released.
Support	Neptune, New Brighton	18,333	-	18,333	Works completed, balance released.
Support	Challenge Fund Properties	205,418	100,000	105,418	Element offered after review.
Support	Housing Stock Surveys	17,900	-	17,900	Future requirements to be funded from capital programme.
Support	Planned Preventative Maintenance	311,000	155,000	156,000	Expected to be spent in 2016/17. Element released in 2016/17.
Support	Environmental Health – Backfills	46,000	-	46,000	Surplus to requirements.
Support	Trading Standards – Backfills	17,000	9,000	8,000	Surplus to requirements.
Support	Coroner's Office	38,177	-	38,177	Reserve not used in 2015/16 or 2016/17 so released.
Support	Asset Management - Asset Review	210,629	40,000	170,629	Element offered after review.
Support	Asset Management - Planned Maintenance	219,355	100,000	119,355	Element offered after review.
Support	Wirral Emergency Volunteers	29,490	15,000	14,490	Element offered after review.
Support Total		**1,870,184**	**829,658**	**1,040,526**	

APPENDIX 5

DRAFT COUNCIL BUDGET 2017/18

(Growth and Savings allocated to services)

	Base Budget 2016/17	Draft Budget 2017/18	Draft Pilot Scheme 2017/18
	£	£	£
INCOME			
Revenue Support Grant	50,710,000	36,966,100	-
Top Up	41,630,000	50,434,000	50,434,000
New Homes Bonus	3,177,900	2,264,100	2,264,100
Business Rates Baseline	34,827,900	30,974,900	-
Pilot Scheme Business Rates	-	-	67,941,000
Business Rates S31 Grants	2,193,700	6,460,000	6,460,000
Improved Better Care Fund	-	1,400,000	1,400,000
Council Tax Requirement	120,274,100	127,430,400	127,430,400
Contribution to Business Rates Reserve	-	- 5,373,400	- 5,373,400
Contribution from balances & Reserves	11,782,100	15,625,000	15,625,000
FORECAST INCOME	**264,595,700**	**266,181,100**	**266,181,100**
EXPENDITURE			
People			
Adult Care & Public Health	71,835,700	75,835,700	75,835,700
Children & Families	74,056,600	79,356,600	79,356,600
People Total	**145,892,300**	**155,192,300**	**155,192,300**
Environment			
Environmental Protection	28,425,000	27,327,400	27,327,400
Housing & Communities	17,126,950	15,836,350	15,836,350
Leisure & Culture	17,789,800	16,482,200	16,482,200
Environment Total	**63,341,750**	**59,645,950**	**59,645,950**
Business			
Business & Tourism	2,360,600	2,560,600	2,560,600
Transport, Technology & Infrastructure	36,954,700	33,522,400	33,522,400
Resources	1,684,450	990,450	990,450
Transformation & Improvement	2,361,900	1,869,400	1,869,400
Business Total	**43,361,650**	**38,942,850**	**38,942,850**
NET COST OF SERVICES	**252,595,700**	**253,781,100**	**253,781,100**

REVENUE CONTINGENCY			
Adult Social Services	3,900,000	5,400,000	5,400,000
Children and Young People	5,000,000	5,000,000	5,000,000
Other Areas	3,100,000	2,000,000	2,000,000
Contingency Total	**12,000,000**	**12,400,000**	**12,400,000**
FORECAST EXPENDITURE	**264,595,700**	**266,181,100**	**266,181,100**

APPENDIX 6

CHIEF FINANCIAL OFFICER STATEMENT

SUMMARY

Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently 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. Section 25 also requires Members to have regard to this report in making their decisions.

BACKGROUND

Local Authorities decide every year how much they are going to raise from Council Tax. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year.

The decision on the level of the Council Tax is taken before the financial year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:

a) making prudent allowance in the estimates for each of the services;
b) ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

This Statement is intended to give Members assurance that the Budget has been based on the best available information and reasonable assumptions.

In order to meet the robustness requirement a number of key processes have been in place, including:

- Review by finance staff involved in preparing the base budget and supporting information.
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure.
- Existing and future expenditure pressures are identified by reference to financial monitoring reports for 2016/17.
- Ownership by the Senior Leadership Team of proposed savings and their achievability.
- Identification of financial risks.
- The Section 151 Officer provided advice throughout the process.
- Consultation with the Members, public and groups as required.
- Accountable Managers identifying issues, projecting demand and considering value for money and efficiency.
- Ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both.

RELEVANT RISKS

A formal Risk Review of the Revenue Budget is undertaken to reflect local circumstances and from this it is proposed that Balances be set at a level appropriate to the identified risks. This is a separate section in this report and Appendix 3 details the risk assessment on General Fund balances.

Risks in relation to the Revenue Budget and Capital Programme flow in part from the assumptions in the Annex and will be kept under review as part of the Financial Monitoring Reports to Cabinet throughout the 2017/18 financial year.

ROBUSTNESS OF THE REVENUE ESTIMATES

The 2017/18 budget built on the process followed in 2016/17 including a robust process to identify, review and assess both growth and savings proposals. This saw the production of proposals which were subject to public consultation and review by Elected Members.

Cabinet agreed proposals in December 2016 to assist in the production of a balanced Revenue Budget for 2017/18 under the headings of:

- Delivering Differently
- Income and Resource Management
- Service Changes

These are formally concluded with the setting of Council Tax levels for 2017/18.

In assessing the robustness of Revenue Budgets the key risks remaining are:

- The actual delivery of the approved savings and efficiencies.
- The impact of increasing demand for services, particularly care services, and reducing grant funding outlined in Government announcements.
- The confirmation of Government grants, of which a number remain unknown.
- Changes to the Capital Programme and associated revenue costs.
- The possibility of legal challenge including judicial review.
- On-going review of the risks relating to Council Tax and Business Rates collection levels and appeals.

These assumptions and changing circumstances require forecasts to be regularly reviewed. This includes the identification of options for consultation and to more detailed budgets being prepared for the next financial year, and the medium term, during the autumn.

The Council continues to face a challenging future while needing to achieve the Wirral Plan, to Deliver Services Differently and to increase Income. If proposals are delayed or not delivered in a way that produces the benefits anticipated there will be a need to make up the shortfall from other additional reductions elsewhere.

Changes to the business rate system. The Council is participating from April 2017 in a no detriment pilot of 100% retention across the Liverpool City Region. This is to test how the full implementation planned for 2020 will work. It is currently therefore difficult to evaluate what the changes will mean for the Council as the full details of how the full operation of Local Government Funding, including the ending of Revenue Support Grant and the transfer of new responsibilities to local authorities will operate. Further details, such as updating the relative needs formulae (determining how resources are initially distributed between councils) and the impact of business rate appeals, have yet to be determined.

In order to mitigate the financial risks associated with the implementation of savings and to improve the robustness of the estimates, a Revenue Budget Contingency is to be maintained drawn from General Fund balances that have been supplemented by the release of Earmarked reserves.

ROBUSTNESS OF THE CAPITAL PROGRAMME

The agreed Capital Programme includes projects costed at current year prices with many subject to a subsequent tender process which lead to variance in the final cost. In some areas, the design brief may not yet be finalised, again giving rise to potential price variance. This is a known risk and can be managed through phasing or reduction in specification.

In assessing the robustness of the Capital Programme the risk of being unable to fund variations outside of the Programme is minimal mainly due to the phasing of projects. If necessary, the Council can choose to freeze parts of the Programme throughout the year to ensure spend is kept within the agreed budget.

The main risks of the Capital Programme are:-

- The ability to deliver the Programme within the agreed timescales. The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2017/18 Programme.
- The future Programme includes new starts based on the availability of resources. There is a number of significant asset disposals planned and in today's climate, the capital receipts may be higher / lower than expected. The Programme includes the Transformation Programme funded from capital receipts placing increasing reliance upon timely delivery of receipts. A failure to materialise will have consequences on the availability of revenue funding.

ADEQUACY OF THE GENERAL FUND BALANCES AND RESERVES

The recommended approach to determining the level of General Fund balances and reserves follows the guidance issued by Grant Thornton (the Council's External Auditor) and CIPFA (the professional organisation responsible for the Accounting Code). The Level of General Fund Balances for 2017/18 is referred to in the main report.

RESOURCE IMPLICATIONS

In the Medium Term Financial Strategy and Council Budget 2017/18 report to Cabinet on 8 December 2016 the Budget Projection for 2017/18 indicated a shortfall between spend and resources of £45 million and a projected budget funding gap for the period 2017/21 of £132 million.

Cabinet considered savings options totalling £33.9 million for 2017/18 on 8 December 2016. This met the Forecast Funding Gap for 2017/18. These included a Council Tax increase of 1.99% and the 2% Adult Social Care Precept costs which are now subject to further consideration by Cabinet following the receipt of the Provisional Local Government Finance Settlement.

Further information has been received about the Settlement and Council Tax setting arrangements as well as the Liverpool City Region 100% Business Rates Retention Pilot Scheme. The detail in the body of the Cabinet report reflect a revised position, where necessary to ensure best use of public funds and a Budget set within the constraints of central government parameters.

APPENDIX 7

100% BUSINESS RATES RETENTION PILOT SCHEME

LIVERPOOL CITY REGION

This agreement sets out the terms by which the local authorities listed at Annex B (hereafter referred to as the Liverpool City Region authorities) will pilot 100% business rates retention.

This agreement comes into effect from 1st April 2017 and expires on the national introduction of full business rates retention.

The pilot is to be without detriment to the resources that would have been available to individual Liverpool City Region authorities under the current local government finance regime, over the four year Settlement period, including the resources that would have been available to the councils under the 50% business rates retention scheme. Details of this arrangement are set out under Annex A.

From 1st April 2017 the Liverpool City Region authorities will retain 99%[1] of their non-domestic rating income[2]. They will also receive section 31 grants in respect of Government changes to the business rates system. Section 31 grant will amount to 99% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality. In moving to 100% rates retention:

- DCLG will no longer pay Revenue Support Grant to the Liverpool City Region authorities;
- The Department for Communities and Local Government will not pay improved Better Care Fund funding to the Liverpool City Region Authorities in 2017/18. The additional retained business rates will be used to ensure that an equivalent sum to the value of the foregone grant will be earmarked for adult social care services and must be:
    a) Pooled into Liverpool's Better Care Fund; and
    b) Used to fund Adult Social Care services.

  This sum will be subject to the Better Care Fund national conditions 2017 - 2019 and its planning and assurance process.

The Liverpool City Region Authorities will not be subject to more onerous rules or constraints under the 100% rates retention pilot, than they would have been if they had remained subject to the 50% scheme.

[1] 1% will continue to fund the Fire and Rescue Authority.
[2] As defined in the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI2013/452) (as amended).

The value of these grants in 2017/18 is set out in Annex C.[3] Additionally, values for Revenue Support Grant are set out for 2018-19 and 2019-20, in line with the terms of the multi-year settlement agreed with Liverpool City Region authorities, and the Government's agreement to provide greater certainty about Revenue Support Grant totals from 2017-18 until the end of the Parliament. Whilst RSG totals will need to take account of future events such as the transfer of functions to local authorities, transfers of responsibility between authorities and other unforeseen events, the Government expects the totals set out in Annex C for future years to be those used in future local government finance settlements.

Business rate shares; tariffs and top ups and baseline funding levels for 2017/18 for the Liverpool City Region authorities are set out in Annex C.

Levy and safety net payments due from/to Liverpool City Region authorities, or any pool of which they are members, will be calculated, in accordance with the Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (SI 2013/737) (as amended), as if the Liverpool City Region' authorities were <u>not</u> 100% pilots, but instead were operating under the 50% rates retention scheme.

However, notwithstanding the calculation of levy and safety net payments under the Regulations, the Government will calculate levy and safety net payments due from/to individual Liverpool City Region authorities on the basis of their "retained income" as 100% pilot authorities and on the basis that each authority had a "zero" levy rate and "safety net threshold" of 97%.Any safety net payment due as a result of these calculations will be paid via a section 31 grant.

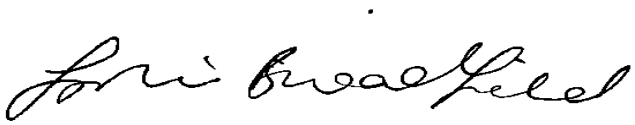
The Government is committed to work with the Liverpool City Region authorities to develop and deepen the pilot for 2018/19 in line with the ambitions of the authorities. For 2018/19, the Government and Liverpool City Region authorities will revise the pilot to reflect any changes to funding allocations; and will consider reviewing the terms of the pilot with a view to the possibility of:

- rolling-in further grants and funding streams, (with commensurate adjustments to tariffs and top-ups), including those that might assist the Liverpool City Region authorities to grow jobs and improve their skill base; and
- assisting the Liverpool City Region authorities to provide the necessary infrastructure to grow jobs and skills, by creating an investment capability to support growth by means of adjustments to the operation of the pilot and the business rates retained under it.

[3] Figures in Annex C are set for 3 years 2017/18 – 2019/20. These are subject to change in 2018/19 should funding allocations increase for the services funded through business rates.

10 February 2017

Signed By:



Sophie Broadfield, Deputy Director, Local Government Finance Reform, Department for Communities and Local Government

Ged Fitzgerald, Chief Executive, Liverpool City Council

Mike Palin, Chief Executive, St Helens Council

Margaret Carney, Chief Executive, Sefton Council

Eric Robinson, Chief Executive, Wirral Council

Mike Harden, Chief Executive, Knowsley Council

David Parr, Chief Executive, Halton Borough Council

Calculating "No-Detriment"

Introduction

1. The 100% pilot is without detriment to the resources that would have been available to the Liverpool City Region authorities under the current local government finance regime over the four year settlement period.

2. In any year for which the pilot exists, to the extent that the pilot arrangements result in fewer resources being available to Liverpool City Region authorities than would have been the case under the existing local government finance regime, the Government will make good the difference, as measured at the level of the pilot area.

3. The "no detriment" calculation will be undertaken following the end of the financial year and the submission of certified figures for non-domestic rating income (ie. following submission of certified NNDR3s) and any payment due from the Government will be made on the same date as any other 2017/18 reconciliation or safety net payments.

Principles

4. To calculate whether the "no detriment" clause is triggered, for each individual authority we will compare the difference between (A) and (B) for each year, where:

   (A) is the sum that would have been retained by the Liverpool City Region authorities under the 50% rates retention scheme in that year, and (B) is the retained business rates income actually retained under the pilot.

   A and B will comprise the following:
   (A)
   - i. 49%[4] of certified non domestic rates income for the Liverpool City Region authorities;
   - ii. compensation for Enterprise Zone reliefs – (currently deducted from the 'central share');
   - iii. the tariff/top-up payment that the authorities would have paid/received if the authorities had not been part of the 100% pilot;[5]

[4] 1% going to the Liverpool City Region Fire and Rescue Authority

[5] For 2017/18, this will be a "notional" tariff and top-up based on the 2016/17 tariff/top-up, adjusted for the "Revaluation wash-through" that would have applied if the authority had not been a 100% pilot. For 2018/19, it will be the 2017/18 "notional" tariff/top-up adjusted for the on-going "Revaluation wash-through"; for the reconciliation of the 2017/18 "Revaluation "wash-through" adjustment; and multiplied by the change in the small business rates multiplier.

iv. any safety net payment that would have been due to the authorities under the 50% scheme based on a safety net threshold of 92.5% of Baseline Funding Level; and

v. the section 31 payments that would have been due to the authority under the 50% scheme;

vi. the amount of grant that would have been paid to the authorities. The amounts are listed at Annex C.

(B)

i. 99% of certified non domestic rates income;

ii. The tariff/top up payment for the authority for the year;[6]

iii. Any safety net payment, (or s.31 payment in lieu of a safety net payment based on 97% of the baseline funding level) for the year;

iv. Section 31 grants due under 99% rates retention[7], including compensation for Enterprise Zone reliefs.

The differences between (A) and (B) at the authority level will then be aggregated at the pilot level and only if A > B at the aggregate level, will a payment be due from central government to the value of that positive difference.

5. The 100% pilot will apply from 1 April 2017 and the business rates income and share of provisions due to each authority under 100% rates retention will apply from this date. Prior year adjustments of income for years before 2017-18 will continue to be based on the 50% scheme. These include:
   a. Prior year adjustments to which section 31 grants would apply

   b. Prior year adjustments for reliefs.

   c. Calculation of the Collection Fund surplus deficit, or any part of it, relating to 2016/17.

[6] For 2017/18, as set out under Annex C. For 2018/19, the value for 2017/18 adjusted for any changes to the amount of rolled-in grants between 2017-18 and 2018-19, adjusted for the on-going "Revaluation wash-through" and for the reconciliation of the 2017/18 adjustment, and multiplied by the change in the small business rates multiplier.

[7] The calculation of section 31 grants due to authorities will be based on 99% local shares – except insofar as the existing "50%" shares will continue to be used in respect of prior year adjustments before 2017/18.

Annex B

Authorities in Liverpool Pilot

Liverpool
St Helens
Sefton
Wirral
Knowsley
Halton

Annex C

Grants

The amount of grant to be 'rolled-in' to 99% rates retention for 2017-18 is:

Revenue Support Grant (RSG) to each constituent authority.

Authority	Amount (£m) for 2017/18	Amount (£m) for 2018/19	Amount (£m) for 2019/20
Liverpool	85.587	69.076	52.306
St Helens	20.645	15.660	10.635
Sefton	27.059	19.440	11.762
Wirral	36.966	27.797	18.565
Knowsley	32.831	27.109	21.318
Halton	16.790	13.082	9.339

Improved Better Care Fund (IBCF) to each constituent authority

Authority	Amount (£m) for 2017/18
Liverpool	3.747
St Helens	0.825
Sefton	1.019
Wirral	1.407
Knowsley	1.309
Halton	0.548

Baseline Funding Level

Authority	Amount (£m) for 2017/18
Liverpool	254.354
St Helens	64.633
Sefton	88.723
Wirral	114.446
Knowsley	92.401
Halton	51.055

Tariffs and Top-Ups

Authority	Amount (£m) for 2017/18
Liverpool	68.069
St Helens	20.554
Sefton	21.574
Wirral	51.842
Knowsley	51.476
Halton	7.437

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WIRRAL

 **COUNCILLOR PHIL DAVIES**	**CABINET** **20 FEBRUARY 2017** **CAPITAL PROGRAMME** **AND FINANCING 2017/20**

Councillor Phil Davies (Leader of the Council) said:

"Our Capital Programme is about investing in Wirral's future – improving the infrastructure in the borough, helping residents enjoy better flood protection, transport and highways and improving our schools.

The Capital Programme will also help us meet our financial challenge by generating additional income through seeking investment opportunities and realising major savings by supporting transformation projects to redesign how services are delivered."

REPORT SUMMARY

This report provides Cabinet with the draft Capital Programme 2017/20 for consideration and referral to Council for approval. It also includes information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts.

The 2017/20 Capital Programme therefore represents a combination of Schemes originally approved as part of the 2016/19 Programme and updated through the Capital Monitoring reports in 2016/17 and new bids for inclusion as detailed in this report. This also includes the new themes around the Transformation Programme and the acquisition of investment properties.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

1. That the new bids as detailed in Appendix 2 be approved.

2. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority.

3. That Cabinet recommend to Council for approval the Capital Programme 2017/20 (as detailed in Appendix 3.

4. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangement.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The purpose of the Capital Programme is to enable the Council to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.

1.2 Links to the revenue budget ensure that revenue funding is provided to meet the financing costs, and any running costs, as a result of the Capital Programme investment.

2.0 OTHER OPTIONS CONSIDERED

2.1 For a scheme to be included in the Capital Programme it must be supported by a Business Case which includes consideration of alternative options and has been reviewed by the Assets and Capital Group.

3.0 BACKGROUND INFORMATION

CAPITAL STRATEGY

3.1 The Capital Strategy provides the framework that enables the Council to work with partners and stakeholders to prioritise and effectively deliver the capital investment that contributes to the achievement of Council objectives.

ASSETS AND CAPITAL GROUP (ACG)

3.2 This Officer Group was re-established during 2013 to improve the co-ordination and management of the Capital Programme with its remit extended to include the Council's asset portfolio. The Group includes representatives from all Directorates and the Terms of Reference include:-

- Review of the Capital Strategy and policies relating to capital.
- Review and recommend new schemes for inclusion in the Programme.
- Manage the delivery of the approved Capital Programme.

CAPITAL PROGRAMME

3.3 The Capital Programme details the schemes being undertaken over the medium term which help the Council achieve its objectives. It is aligned to the Wirral Plan and Medium Term Financial Strategy. It is reviewed, updated and considered by Council each year as part of the annual budget setting process.

3.4 Government announcements may include grant support for specific themes but other investment is based upon affordability. When determining previous programmes, where possible, schemes have been funded through generating capital receipts to minimise the need for borrowing. The Autumn Statement 2015 introduced an additional flexibility as receipts generated between 1 April 2016 and 31 March 2019 can now be used to fund Transformation Programmes. This is fundamental if the Council is to deliver the changes and required savings having first call on those allowable capital receipts. Any new schemes not funded by grant will be funded from borrowing which does generate a revenue cost.

NEW SUBMISSIONS

3.5 In order to manage demand within the financial constraints there has to be a means to prioritise investment. Criteria have been developed to provide an initial assessment of any capital bids to ensure the Programme is either targeted to Council priority areas or fulfils statutory obligations. Individual bids are scrutinised by the ACG and form the basis for making recommendations to Cabinet as to which could be included in the Capital Programme.

3.6 The ACG challenged the justification and deliverability of the submissions (with the aim of reducing significant re-profiling of schemes and minimising the level of new borrowing required) prior to reviewing against the prioritisation criteria.

3.7 There were a number of bids relating to sports centres, libraries and the Williamson Art Gallery. Pending the outcome of the current review of leisure and cultural services these schemes are not included in the proposed Programme in Table 3. However, details can be found in the Appendix 2.

TRANSFORMATION PROGRAMME

3.8 The Programme contains projects which are key to successfully delivering services differently over the coming years in the areas of Assets, Customers and Children's Services. This encompasses schemes which reduce demand and costs to the Council and public sector partners and / or generate savings in the delivery of public services. These can be achieved through such as service re-configuration or re-structuring or establishing Alternative Delivery Models. The Programme is funded through the flexibilities regarding Capital Receipts with the projects delivering future financial benefits which have been incorporated into the Budget 207/18 and Medium Term Financial Strategy.

3.9 Within Children's Services this is to transform the quality of social work provision, leadership and performance for which additional capacity is required in order to safely manage the change and also ensure that intervention is at an earlier stage. This investment will decline in future years whilst delivering benefits through the management of future demand.

COMMERCIAL OPPORTUNITIES

3.10 The Council presently has a number of investment properties such as industrial units which generate an income stream. Like other local authorities the Council is identifying opportunities to increase income and the acquisition of properties can meet this aim as well as enhancing the progression of strategic developments across the borough. The expectation is that the revenue from the acquired assets will provide income is excess of the running costs, including any borrowing costs.

3.11 The Council is working with partners to provide access to funding to provide the investment that will deliver future savings. The initiative for 2017/18 relates to an arrangement with the waste contractor whereby the Council sources the investment for the acquisition of waste vehicles. This then delivers both a return on the investment and a reduction in the contract.

WIRRAL WATERS INVESTMENT FUND

3.12 Regulations allow for any business rates growth within the Enterprise Zone (EZ) to be re-invested to stimulate further development. This growth can be used to access and fund borrowing to increase investment within the Wirral Waters element of the Merseywaters EZ in order to bring forward development more quickly and to promote further growth. The borrowing costs are funded from the increase in Business Rates that will be generated.

2017/20 CAPITAL PROGRAMME

3.13 The 2017/20 Capital Programme therefore represents a combination of:-

a) Schemes approved as part of the 2016/19 Programme and updated through the Capital Monitoring reports in 2016/17. The latest position updates the Quarter 3 position to include the indicative Highway Structural Maintenance funding for each of the three years.

Table 1: Capital Programme (per previous monitoring reports)

Analysis of Capital Programme	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**
Business	14,963	300	0
Environment	11,021	2,470	470
People	12,250	4,000	0
Total Expenditure	**38,234**	**6,770**	**470**
Financing			
Unsupported borrowing	17,006	3,770	470
Capital receipts	1,937	0	0
Grants	19,141	0	0
Revenue/reserves	150	3,000	0
Total Financing	**38,234**	**6,770**	**470**

b) New bids for consideration at this meeting. The emphasis has been to ensure that these support the delivery of the Wirral Plan and the 20 Pledges. Appendix 1 details the criteria against which schemes were scored and Appendix 2 provides a summary of each scheme.

Table 2: New bids for inclusion in the Programme

New Bids by Theme	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**
Business	17,797	18,200	18,200
Environment	5,748	0	0
Transformation Programme	15,740	TBC	TBC
Total	**39,285**	**18,200**	**18,200**

3.14 The proposed Capital Programme combines Tables 1 and 2 together with an estimate for grant to be received for Schools Modernisation and Basic Needs of £3.3 million in 2018/19 and 2019/20. The detail can be found in Appendix 3.

Table 3: Proposed Capital Programme 2017/20

Proposed Capital Programmer	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**
Business	32,760	18,500	18,200
Environment	16,769	2,470	470
People	12,250	7,300	3,300
Transformation Programme	15,740	TBC	TBC
Total Expenditure	**77,519**	**28,270**	**21,970**
Financing			
Unsupported Borrowing	35,121	13,770	10,470
Capital Receipts	17,677	0	0
Grants	20,571	9,500	6,500
Business Rates	4,000	5,000	5,000
Revenue/Reserves	150	0	0
Total Funding	**77,519**	**28,270**	**21,970**

Note : Unsupported Borrowing includes the Investment in Properties for which the borrowing costs will be met from the resulting income stream.

3.15 In forecasting a 3 year Programme it is recognised that there are many variables and factors that will impact on future requirements. The Programme will be subject to regular review to ensure the most effective use of resources whilst providing the opportunity to update agreed schemes and add any new schemes which will arise as new funding is identified and delivery plans are developed along with Council partners.

CAPITAL RECEIPTS

3.16 Available capital receipts at 1 April 2016 were £8.047 million. Table 4 assumes the proposed spend in Table 3 is agreed.

3.17 Additional flexibilities regarding the use of receipts were confirmed following the Chancellor's Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019, excluding Right-To-Buy receipts, can be used to fund Transformation provided the Council has agreed a Transformation Programme setting out the projects, costs and deliverable benefits / savings

3.18 A fundamental review of the Council's asset portfolio is currently being undertaken. It is intended that this will highlight those assets that Members may wish to consider for disposal, a critical decision given the funding of the Transformation Programme is reliant upon the generation of capital receipts. Tables 4 and 5 split the Receipts based upon the Flexibility arrangements.

Table 4: Projected Capital Receipts for traditional capital schemes

	2016/17	**2017/18**	**2018/19**	**2019/20**
	£000	**£000**	**£000**	**£000**
Capital Receipts Reserve	8,047	1,937	400	800
In - Receipts Assumption	454	400	400	3,900
Out - Funding (Capital)	-6,564	-1,937	TBC	TBC
Closing Balance	1,937	400	800	4,700

3.19 In respect of the major receipts. For Manor Drive the Council should receive £2.2 million in 2017/18 with a similar amount in 2018/19. The sale of Acre Lane is now likely to occur in summer 2017 and the first receipt of £3.5 million received with similar amounts for 2018/19 and 2019/20. No account has been taken for any potential receipt from the former Rock Ferry High School.

3.20 The in-year receipts are based on the latest known projections which accord to £7.085 million. The required target for 2017/18 is in the region of £15.3 million with 2018/19 subject to review as the Transformation Programme requirements have still to be confirmed for 2018/19.

Table 5: Projected Capital Receipts for the Transformation Programme

	2016/17	**2017/18**	**2018/19**
	£000	**£000**	**£000**
Capital Receipts Reserve	0	500	60
In - Receipts Assumption	500	15,300	5,700
Out - Funding Transformation	0	-15,740	TBC
Closing Balance	500	60	5,760

4.0 FINANCIAL IMPLICATIONS

4.1 The proposed 2017/20 Capital Programme is a combination of the currently approved Capital Programme and New Bids. As the Programme stands this will require a maximum of £29.3 million unsupported borrowing from 2017/18 to 2019/20.

4.2 The revenue borrowing costs associated with any re-profiled schemes had already been included in the 2016/17 and subsequent revenue budgets and therefore do not represent an additional requirement.

4.3 The spend and funding of the Capital Programme are linked to Treasury Management. With the low interest available for investments the policy of temporary borrowing from positive internal cash flows has been continued. This policy, and the re-profiling of the Programme, defers the need for external borrowing delivering in-year savings but is not sustainable in the medium term.

4.4 As Capital Receipts will be used to fund the Transformation Programme and the investment in properties is assumed to be self-funding the net cumulative revenue impact of additional borrowing required to fund new bids is:

Table 6 : Additional borrowing requirement to fund new bids

	2017/18	**2018/19**	**2019/20**	**2020/21**
	£000	**£000**	**£000**	**£000**
Additional Revenue cost	140	610	610	610

4.5 The Budget 2017/18 includes a reduction of £2 million in capital financing costs. The Budget projections reflect the additional revenue costs resulting from the proposed Programme for 2017/18 as well as covering costs associated with the probability that the process of internal borrowing will have to be reversed as reserves are reduced or when there are likely significant increases to interest rates. As these projections might change during the year the Programme and related Prudential Indicators will be updated.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report as they will be identified as each scheme is progressed.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 The Programme is about investment into the Council assets so does include schemes relating to IT and assets.

7.0 RELEVANT RISKS

7.1 The Programme will not be delivered as projected. This could see individual schemes progressing ahead of, or being behind, the projected timetable. The regular monitoring and reporting of the Programme allows actions to be taken to manage the financial position.

7.2 Capital receipts are below the level estimated. Regular reporting to ACG on progress of asset disposals allows the Capital Programme to be reviewed should this eventuality arise.

7.3 Interest rates increase to a level greater than budgeted for. Regular monitoring of economic forecasts should assist in determining the best time to borrow to fund the Programme.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no specific consultation with regards to this report. In terms of the delivery of schemes consultation will take place as part of the scheme development and implementation.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report as they will be identified as each scheme is progressed. Individual schemes within the Programme will have a direct impact upon groups for example the Aids and Adaptations investment within Regeneration.

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APPENDICES

Appendix 1 – Scoring mechanism for assessing capital bids.
Appendix 2 – Summary of new capital bids 2017/20.
Appendix 3 – Proposed Capital Programme 2017/18 to 2019/20.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Capital Programme 2016/19	22 February 2016
Council – Capital Programme 2016/19	3 March 2016
Cabinet / Council - Capital Monitoring 2016/17	Quarterly reports

APPENDIX 1

CAPITAL PROGRAMME 2017/20

SCORING MECHANISM FOR ASSESSING CAPITAL BIDS

Scheme Title	**Score 1-10**	**Multiplier**	**Weighted Score**
Essential Health & Safety Is there a clearly identifiable requirement to meet essential health and safety or DDA obligations?	**10**	**20**	
Objectives and outputs Are the stated objectives specific, measurable, achievable and realistic?	**10**	**5**	
Have any outputs been quantified?	**10**	**5**	
Have any project constraints been assessed and full consideration given to addressing these?	**10**	**5**	
Will not doing the scheme result in a significant drop in the level of service the Council provides?	**10**	**5**	
Identification of Alternative Options Have alternative options been fully considered with detailed reasons for rejection evidenced?	**10**	**5**	
Finance Business case demonstrates achievable/realistic revenue savings OR generates additional income	**10**	**10**	
If yes, score by comparing to the cost of borrowing	**10**	**10**	
In which year are revenue savings first anticipate?	**20**	**10**	
The scheme requires additional revenue resources over and above capital financing costs	**10**	**10**	
Does the scheme receive specific funding from external sources?	**10**	**10**	
Risk Have risks been properly identified and scored?	**10**	**10**	
Overall Weighted Score			**xxxx**

Scoring Summary and Scheme estimates

New Capital Bids 2017-20 for inclusion

SCHEME	Comments	Total Scheme Estimate £000
Waste vehicles	Invest to save and increased efficiency.	**5,686**
Sailing craft purchase - Wirral Sailing Centre	Income generation	**62**
Thermal mapping	Invest to save/reduce running costs	**42**
Transformation Programme	Relates to the flexible use of capital receipts. Inward	**15,740**
Wirral Waters Investment Fund	investment. Borrowing costs funded from Business Rates	**14,000**
Acquisition of Property Assets	Investment in Assets to provide income return	**30,000**
Car parking pay and display machines	Income generation - subject to proposed saving being agreed	**900**
Integrated Transport	Grant funded - no financing costs	**1,160**
Pothole Action Fund	Grant funded - no financing costs	**270**
Structural Maintenance Programme	Grant funded - no financing costs	**9,600**
Street lighting column replacement	Health and safety essential replacement/maintenance	**500**
Dock bridges replacement	To ensure success of the existing replacement scheme	**700**
Webcasting/audio/electronic voting replacement	Webcasting for committee meetings. Transparency agenda	**225**
	Total Capital Cost of New Bids	**78,885**
New Capital Bids 2017-20 relating to the leisure and cultural review		
Europa Pools refurbishment	Income generation	**2,500**
Arrowe Park golf improvements	Income generation	**650**
Tennis Centre refurbishment	Income generation	**1,340**
Williamson Art Gallery refresh and repair	Maintain Accredited Museum Status, small income increase	**350**
Beechwood Leisure Centre remedial works	Upgrade to ensure sustainability	**500**
Bebington Central Library refurbishment and repair	Improvements to the building fabric	**1,219**
Birkenhead Central Library redevelopment and refurbishment	Improvements to the building fabric	**467**
Wallasey Central Library redevelopment and refurbishment	Improvements to the building fabric	**196**
	Total Capital Cost of New Bids	**7,222**

PROPOSED CAPITAL PROGRAMME 2017/18 TO 2019/20 **APPENDIX 3**

	2017/18	2018/19	2019/20
SUMMARY	**£000**	**£000**	**£000**
Overall Programme			
Business	32,760	18,500	18,200
Environment	16,769	2,470	470
People	12,250	7,300	3,300
Transformation Programme	15,740	TBC	TBC
Total Programme	**77,519**	**28,270**	**21,970**
Funding			
Unsupported borrowing	35,121	13,770	10,470
Capital Receipts	17,677	-	-
Grants	20,571	9,500	6,500
Business Rates (Wirral Waters only - ringfenced)	4,000	5,000	5,000
Revenue/reserves	150	-	-
Total Resources	**77,519**	**28,270**	**21,970**

	2017/18	2018/19	2019/20
Business	**£000**	**£000**	**£000**
Building refurbishment to increase occupancy	1,320	-	-
Fund to assist land assembly and resale	470	-	-
Cleveland Street Transport Depot	492	-	-
Demolish Bebington Town Hall	316	-	-
Demolish former Rock Ferry High School	213	-	-
Treasury Building	510	-	-
Industrial estates	150	-	-
Millennium Centre remodelling	555	-	-
Structural maintenance	3,200	3,200	3,200
Transport for Growth	565	-	-
Coast protection	230	-	-
East Float access	295	-	-
Dock Bridges replacement	5,510	-	-
Preventative maintenance to unclassified/residential streets	500	-	-
Replace highways grass cutting machinery	300	-	-
Business Investment Grants	737	-	-
Growth Fund	300	300	-
Webcasting	225	-	-
Thermal mapping/weather station upgrade	42	-	-
Integrated Transport	1,160	-	-
Pothole Action Fund	270	-	-
Street Lighting column replacement	500	-	-
Parking machines (subject to decision on savings proposal)	900		
Investment in Properties	10,000	10,000	10,000
Wirral Waters Investment Fund	4,000	5,000	5,000
Total Programme	**32,760**	**18,500**	**18,200**

	2017/18	2018/19	2019/20
Environment	**£000**	**£000**	**£000**
Park depot rationalisation	350	-	-
Transport Museum	190	-	-
Flaybrick Cemetery	100	-	-
Soft play areas- leisure centres	300	-	-
West Kirby Marine Lake integrated accommodation	875	-	-
Leasowe leisure centre outdoor 3G pitches	820	-	-
The Oval redevelopment	179	-	-
West Kirby flood alleviation	1,850	-	-
Aids/adaptations and DFG	2,269	2,000	-
Housing renewal	470	470	470
Restore empty homes	374	-	-
Clearance	1,241	-	-
Home Improvement	531	-	-
New house building programme	472	-	-
Housing infrastructure fund	1,000	-	-
Wirral Sailing Centre sailing craft	62	-	-
Waste vehicles acquisition	5,686	-	-
Total Programme	**16,769**	**2,470**	**470**

	2017/18	2018/19	2019/20
People	**£000**	**£000**	**£000**
Pensby Wood day service remodelling/additional classrooms	1,532	-	-
Family support scheme	191	-	-
Stanley Special additional classrooms etc.	132	-	-
School condition allocation ****	3,583	2,500	2,500
Basic Needs ****	2,135	800	800
Primary Places	2,877	-	-
Community Intermediate Care	400	-	-
Extra Care housing	1,400	1,000	-
Extra Care housing (learning disabilities)	-	3,000	-
Total Programme	**12,250**	**7,300**	**3,300**

**** Grant allocation for 2018/19 and 2019/20 will be announced during 2017/18. Estimated figures used.

	2017/18	2018/19	2019/20
Transformation Programme	**£000**	**£000**	**£000**
Transformation Programme – Assets and Customers	5,740	TBC	TBC
Transformation Programme – Children's' Services	10,000	TBC	TBC
Total Programme (funded from capital receipts)	**15,740**	**-**	**-**

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WIRRAL

 **COUNCILLOR PHIL DAVIES**	**CABINET** **20 FEBRUARY 2017** **MEDIUM TERM FINANCIAL STRATEGY** **2017/18 - 2020/21**

Councillor Phil Davies (Leader of the Council) said:

'We continue to face huge financial pressures, as increasing demand, rising costs and ongoing austerity policies combine to place unprecedented strain on our budget, and services.

We must do all we can to plan long term, put in place sustainable and radical change which allows us to continue providing the services which our most important to residents'.

REPORT SUMMARY

The Autumn Statements in 2015 and 2016 plus the Spending Review 2015 reiterated that Council funding will reduce into the medium term and that reductions to core funding will continue. The Government is phasing out the main Revenue Support Grant which provides funding for all services. By 2020 local authorities will retain 100% of Business Rates collected locally. In moving to this position the Government with the Local Government Association, and through the Business Rates Retention Scheme Pilots is looking at how this can be implemented and inform the future distribution of resourrces.

This report presents the Medium Term Financial Strategy 2017/18-2020/21 based on what is an evolving system of funding and a number of key questions are yet to be answered. However it is clear that the scale of the financial challenges remains. The report sets out the steps it is proposed are taken to ensure the Council sets balanced budgets while continuing to deliver the Wirral Plan. The Strategy includes a set of indicative financial proposals for 2018/19-2020/21.

The Medium Term Financial Strategy and these proposals will be developed further over the coming year in order to close the medium term budget funding gap and set the 2018/19 Budget. The approach will also ensure Council resources are prioritised to those actions that achieve most in terms of the delivery of the Wirral Plan pledges. Since the approval of the Wirral Plan in July 2015, considerable progress has been made in all areas of the Wirral Plan. At the same time the Council has been moving forward with an integrated approach to planning policy and financial strategy on a long term basis. This is to ensure that our resources are targeted in accordance with the priorities identified in the Wirral Plan.

This matter affects all Wards within the Borough and is therefore a key decision.

RECOMMENDATIONS

The Cabinet is asked to agree and recommend to Full Council:

1 In respect Medium Term Financial Strategy 2017/18-2020/21

a) The Medium Term Financial Strategy 2017/21.

b) The development of indicative proposals for the years 2018/19-2020/21 as part of the implementation of the Councils Medium Term Financial Strategy as set out in Annex 1.

c) The Flexible Use of Capital Receipts Strategy 2017/18 as set out in Annex 2.

d) To regular updates being presented to Cabinet on the progress of the implementation of the Medium Term Financial Strategy.

2 In respect to the Treasury Management Strategy 2017/20

a) The Treasury Management Strategy 2017/20.

b) The adoption of the Prudential Indicators.

c) The Minimum Revenue Provision Policy for 2017/18.

d) The Council Officers listed in Annex G of the Treasury Management Strategy to approve payments from the Council's bank account for all treasury management activities.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 An effective Medium Term Financial Strategy and Wirral Plan are necessary to ensure that the Council functions well. It is important that Councillors and residents are aware of the scale of the financial issues facing the Council. Updates to the financial projections for future years are made on a regular basis. While the Wirral Plan identifies how the 20 Pledges are to be achieved, the annual budget demonstrates in part how these are to be delivered. The Medium Term Financial Strategy indicates the resource issues and principles that shape not only the Budget for 2017/18 but also the future budgets by identifying current issues as well as potential developments / related issues. It is through the Strategy that future revenue and capital budgets are developed.

1.2 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.

1.3 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Wirral Plan and the Medium Term Financial Strategy are key policy documents and drive all other business planning processes within the Council. Consequently they are vital for the Council's future development. Therefore no other options were considered.

3.0 MEDIUM TERM FINANCIAL STRATEGY 2017/18-2020/21

3.1 Over the period 2017/18-2020/21 the Council will face further financial challenges. The Medium Term Financial Strategy focuses on ensuring that resources are targeted to the 20 Pledges while operating within the reduced financial resources that will be available. The last Medium Term Financial Strategy was approved in February 2016 and covered 2016/17-2020/21.

3.2 The Budget Gap reported to Cabinet 8 December 2016 showed:-

Budget Projections 2017/18-2020/21 at December 2016

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Original Projected Spend	286	304	322	340
Original Projected Income	241	234	227	208
Cumulative Budget Gap	45	70	95	132
Annual Budget Gap	45	25	25	37

The projected 4-year budget gap reported to Cabinet in December 2016 was £132 million. The Provisional Local Government Settlement announced in December 2016 provided further details of potential funding for the MTFS period. A number of elements of future funding are subject to development and further decision. This means that there is a degree of uncertainty on the detail relating to :

- The phasing out of Revenue Support Grant and the retention of all Business Rates generated nationally.
- The transfer of new responsibilities including the funding of public health to local government.
- The retention of any mechanism to fund needs in areas where the potential to self-fund services is limited.
- The treatment and level of specific grants.
- The performance of the economy post Brexit and the impact on public sector finances.

3.3 Based upon the details released by the Government in December 2016, and from the February 2017 release regarding the Liverpool City Region 100% Business Rates Retention Pilot Scheme the projections over the MTFS period are similar to those previously forecast.

3.4 Wirral Council continues to seek to safeguard those services which it considers to be its highest priority and the approach for the period of the MTFS will be to minimise cuts to services which impact on – particularly – our most vulnerable residents. In 2016/17 the budget deficit was closed and the budget balanced through a strategic, prioritised and themed approach to achieving major savings. The Council took tough decisions but through a structured approach. Our latest predictions for the MTFS period show that pressures are increasing especially in the area of social care.

3.5 The Medium Term Financial Strategy, as well as providing further financial background to the period, sets out the Councils financial strategy over the next few years, the responses and approaches that may be adopted to meet the challenges faced and to close the funding gap. The Medium Term Financial Strategy contains the following sections:

- Overview of the period 2017/18-2020/21
- Financial overview of 2017/18-2020/21
- Financial Strategy 2017/18-2020/21
- General Fund Balances and Earmarked Reserves
- Capital, Treasury Management and Asset Management

3.6 Wherever a financial estimate can be made of likely events this has been included. Given the level of assumptions for any projection of this type, only significant items have been included. The aim of this Strategy is not to give provisional budget figures, but to provide the Council with a framework with which to support planning considerations for the medium term. The tables within the Medium Term Financial Strategy are dependent on the completion of the setting of the budget for 2017/18.

3.7 The MTFS and agreement of proposed savings in March 2017 will balance the Councils budget for 2017/18 and indicative proposals for the period 2018/19-2020/21. The Autumn Statement 2016 and Local Government Finance Settlement have confirmed that the Council will face a funding gap until the end of the MTFS period. While a number of financial details of the operation across this period remain uncertain the direction of travel is clear. To enable the Council to use its limited financial resources in ways that ensure the delivery of the Wirral Plan and assess opportunities for savings, there is a need to start work immediately on our future financial plans.

3.8 The work should build on and revisit the work that has been done over 2016/17. The Council in the period 2018/19-2020/21 faces continued financial constraints. 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. The scale of the challenge in the coming years requires early preparation and this report describes how the Council will seek to establish a sustainable financial position through the development of a number of financial proposals in 2017/18. These form the basis of plans for closing the funding gap over the Medium Term Financial Strategy timeframe.

3.9 The development of the indicative financial proposals aims to be through a “One Council”, aligned approach to action planning and budgeting. It will utilise the insight and intelligence that has developed in the forming of strategies that support achievement of the Wirral Plan.

3.10 All relevant service areas will be asked to develop the indicative proposals presented for the period 2018/19 – 2020/21. The proposals are themed into the following:

- Delivering Differently
- Income and Resource Management
- Service Changes

3.11 An element of our approach to planning for the long term and delivering major change is directed through the Transformation Programme. It is an ongoing programme to both transform our services and achieve significant savings. While not sufficient to cover the total funding gap Transformation forms a key part of the budget strategy for 2017/18 and beyond. The costs of the programme are to be covered by a revenue reserve and capital funding through the flexible use of capital receipts powers that last until March 2019.

3.12 The Medium Term Financial Strategy incorporates the Treasury Management Strategy. This remains a key area of the financial strategy, especially with low interest rates and limited investment opportunity. It is included in Annex 4 of the Strategy and is subject to approval by the Council at the same time as the budget. The following paragraphs are specific to the strategy and highlighted to assist Members in their consideration of the Treasury Management Strategy.

3.13 CIPFA has defined treasury management as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with *those activities; and the pursuit of optimum performance consistent with those risks."*

3.14 The Council endorses this definition and acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is, therefore, committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective treasury management.

3.15 The purpose of the Treasury Management Strategy Statement is to set:

- Treasury Management Strategy for 2017/20.
- Annual Investment Strategy for 2017/18
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Prudential Indicators for 2017/18, 2018/19 and 2019/20
- Authorised Signatories for Treasury Management Activity

4.0 FINANCIAL IMPLICATIONS

4.1 The budget setting and planning process is integrated with the Wirral Plan. A process has been set out in this report that will determine how resources will continue to be directed to support the delivery of the 20 Pledges. Also detailed is an approach to the planning required to meet the continuing financial challenges the Council faces in the period 2017/18-2020/21. Further resource implications are detailed within the Medium Term Financial Strategy and these implications are reviewed by the reports revising the financial position submitted to Cabinet throughout the year.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising out of this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 A process is currently underway to determine the resources which are required to deliver the 20 pledges through the development of supporting strategies.

7.0 RELEVANT RISKS

7.1 The Medium Term Financial Strategy provides a strategic overview of the issues facing future authority finances and includes a risk assessment.

7.2 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are important and integral elements of its treasury management activities. The main risks to the treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

8.0 ENGAGEMENT/CONSULTATION

8.1 The Wirral Plan and underpinning Pledge Strategies have been developed through engagement with a wide range of partners and subject to wide consultation with residents, partners and other stakeholders.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising out of the Medium Term Financial Strategy 2017/18-2020/21.

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APPENDICES

Appendix 1: Medium Term Financial Strategy 2017/18-2020/21

REFERENCE MATERIAL

CLG Local Authority Investment Guidance, 2004
CLG Changes to the Capital Financing System Consultation, 2009
Code of Practice for Treasury Management in Public Services (2011 Edition), CIPFA 2011.
Prudential Code for Capital Finance in Local Authorities (2011 Edition), CIPFA 2011.
Spending Review and Autumn Statement 2015 HM Treasury
Autumn Statement 2016 HM Treasury

SUBJECT HISTORY

Council Meeting	Date
Medium Term Financial Strategy	
Cabinet - Future Financial Position	9 December 2014
Cabinet - Medium Term Financial Strategy	10 February 2015
Cabinet- Council Budget 2016/17 and Medium Term Financial Strategy	17 December 2015
Cabinet - Medium Term Financial Strategy	22 February 2016
Cabinet - Medium Term Financial Strategy and Council Budget 2017/18	8 December 2016
Treasury Management	
Cabinet - Treasury Management Annual Report 2013/14	7 July 2014
Cabinet - Treasury Management Annual Report 2014/15	13 July 2015
Cabinet - Treasury Management Annual Report 2015/16	18 July 2016

WIRRAL COUNCIL

2017-21 MEDIUM TERM FINANCIAL STRATEGY

Section 1 Overview of the Period 2017-21

1.1 Purpose of the Document

The Medium Term Financial Strategy (MTFS) is intended to provide a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which Wirral Council's services can operate. It sets out a broad framework for the Council's future budget and a proposed approach to budget planning.

The Council is facing a challenging financial future. The setting of next and future years' budgets will be difficult. The Council in the period 2017/18-2020/21 faces continued financial constraints. 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. The scale of the challenge in the coming years requires planning and the MTFS describes how the Council will seek to establish a sustainable financial position through the development of a number of proposals from 2017/18. These form the basis of plans for closing the funding gap over the Medium Term Financial Strategy timeframe. The level of savings required to balance the Council's budget are considerable. Significant savings are expected throughout the next 4 years as public sector expenditure is reduced.

It is through the MTFS process that the Council sets out how it will respond to the new financial realities it faces over the period 2017-21. The strategy also links with the Wirral Plan. It shows how our finances will be structured and managed to ensure that they meet future financial challenges, as well as supporting the pledges of the Council and its partners.

Each year there is the short-term requirement to prepare an annual Budget and set the Council Tax. The achievement of Wirral Council's long-term objectives however, with the planning of new initiatives, capital developments and the allocation of resources in response to Pledge requirements and changing service needs, requires service and financial planning to be undertaken over more than one year. The MTFS therefore looks to take into account the longer term implications of the following:-

- Income - forecast future income levels on both revenue and capital;
- Expenditure - forecast service pressures as a result of the impact of demographic and other changes on service demands;
- Planning- provide a financial framework within which business planning can proceed effectively.

In addition to the Budget the major strategy documents supporting the MTFS are:-

- The Wirral Plan.
- The Efficiency Plan 2016-2020.
- Capital Strategy including capital programme.
- Asset Management Plan.
- Treasury Management Strategy.

These Strategies lay out the strategic aims of the Council's capital and investment plans. They are integral to the MTFS and also the annual budget setting process. The Capital Strategy sets out how capital investment will be prioritised. The capital resources available to the Council play a key role in how services can be transformed in the future, through investing in innovative approaches to service delivery. There are revenue implications to these capital decisions in the form of capital financing costs and ongoing maintenance costs. There are links to the Treasury Management Strategy and the Asset Management Plan.

The MTFS and annual budget bring together both revenue and capital so that decisions on the amount of borrowing can be made. The challenging financial environment has resulted in restricted capital investment. There is a difficult mix between capital demands and restrictions on the revenue costs of the demands.

1.2 Links to the Wirral Plan

The MTFS is aligned to the Wirral Plan as a means of ensuring that Wirral Council's finances are aligned with its 2020 vision, priorities and pledges. The Council approved a five-year plan, the Wirral Plan, on 13 July 2015. The Plan provides a clear ambition for the borough and defines the outcomes towards which the Council will work for the next five years: the 20 pledges. The approach to the MTFS is to ensure that the Council makes the best use of its financial resources in the delivery of the pledges, the key themes of which have been designed to ensure that the Council is focused on the appropriate activities and doing these activities in an appropriate way.

The Wirral Plan has been adopted by all the Councils strategic partners from the public, private and third sectors. It is the means by which all partners will formally work towards a shared set of outcomes, goals and objectives, moving toward integrating as far as possible services and finances. It is clear that the Council and its partners need a focused approach to commissioning services, to integrating services across the public sector and to ensuring that services are decommissioned where they do not align with priorities or cannot be afforded. This can be considered as an outcome based approach. Work continues on the development of a range of approaches, the development of strategies and supporting actions. The council is changing how it operates to ensure it is best positioned to achieve its priorities, will use the best delivery models and improve efficiency. The financial resources available will strongly shape the strategy; the strategy contents significantly affect the financial strategy and prioritisation.

1.3 National Influences

The MTFS for the four years 2017/18 to 2020/21 has been developed against a continuing challenging financial picture. The Autumn Statements 2015 and 2016 plus the Spending Review 2015 have confirmed that financial restrictions will continue. The Council must realign its services to the reduced funding levels and contain its spending to the overall income available. Wirral has made savings since 2010 that have enabled the Council to respond to the reduced levels of Government funding in addition to meeting the additional spending demands faced.

The Council will to need to increase income and make new savings in the next 4 years. With the Government phasing-out the main Revenue Support Grant and the 100$ Business Rates Retention less reliance can be placed on government grants and a higher proportion of local income will need to come from local sources – council tax, business rates and other sources.

1.4 Budget Priorities

Wirral Council will seek to safeguard those services that it considers to be highest priority. The Council may make savings in priority areas only if there is no significant adverse impact to quality and level of service provision. For example, the Council may find a more efficient means of delivering services, or partnership funding may be secured. Otherwise, Wirral Council will not make savings that result in diminution in service quality in these areas unless there is absolutely no alternative e.g. inability to balance the budget. The approach will be not to direct cuts to services wherever possible, but to implement financial change in other ways. However the main focus of the approach will be savings. These will be themed into the following:

- Delivering Differently
- Income and Resource Management
- Service Changes

In approving the financial proposals for 2017/18 the council has had regard for those services deemed to be of the highest priority.

Wirral Council acknowledges the need to provide statutory services, and in many cases these are consistent with the pledges. Where the link between the need to provide a statutory service and Wirral Plan priorities is not as strong, the Council will provide a level of service consistent with affordability. Efficiency gains and partnership working will be explored as means of providing statutory services to an acceptable level at a lower cost. In some circumstances, Wirral Council will consider reducing the level of service in order to make savings and redirect resources to the Council's highest priorities.

To ensure the Council has rigorously looked to avoid expenditure that directly affects residents it has used a savings prioritisation analysis to minimise cuts and reductions to services through the theming of savings.

Subject to the above, unavoidable and essential growth items will be funded by the making of savings from elsewhere within the Wirral Council budget, or the generation of additional income. The Council will manage its budget as a corporate whole, if necessary transferring money from one activity to another if this is needed to match limited resources to the highest priorities.

Section 2 Financial Overview of 2017-21

Forecast Income

2.1 Local Government Grant Funding

Wirral is very reliant on government grant to support all services. Since 2010 Government grant funding has reduced each year. This reduction in funding coupled with a number of increasing financial pressures such as those due to demographic changes have meant that the Council has had to save considerable amounts over recent years.

It is clear with the announcement of the Spending Review 2015 that Wirral will continue to face considerable financial challenges, uncertainty and funding reductions over the medium term period.

The Autumn Statement 2016 confirmed Government departmental spending totals for local government to 2019/20. These announcements coupled with the Provisional Local Government Finance Settlement (LGFS) for 2017/18 announced on 15 December 2016 provide details of indicative funding over the next 3 years.

Beyond 2019/20 the Government has made no detailed announcements on the general grant funding of local government. However there remains a great deal of uncertainty in projecting Wirral's' future funding.

2.2 Local Taxation

In developing a council tax strategy, Wirral Council has to balance between the needs of service users, who are often some of the most vulnerable people in our society, and the burden of the council tax on local council tax payers. With the Government seeking to phase-out general grant support, the burden of financing increasing service demand falls primarily upon the level of council tax.

The Government has implemented a referendum regime from 2012 onwards, for Council Tax increases that it regards as excessive. The Government has stated the Councils must hold referendums with local residents it if proposes to increase Council Tax by more than 5% in 2017/18. This reflects the introduction of funding for adult social care through increased council tax levels at the discretion of the Council. The additional funding must be passed to the service.

Forecast Expenditure

2.3 Cost Pressures

The financial pressures in the period 2017-21 facing Wirral Council are considerable. There will be a number of items of additional expenditure that are likely to be incurred in future years. Other issues that will occur that will require funding for which uncertainties exist, but will eventually involve expenditure for the Council.

The MTFS projections contain anticipated cost pressures and changes that the Council has to manage. These result from a number of sources and can be summarised as follows:

Growth Changes

- Economic – inflation and pay awards;
- Demographic – Investment in Services for increased demands;
- Policy – budget contingency, Government Legislation, grant settlement;

There are a number of areas where there may be additional costs to the Council in future years which are uncertain at present.

A fundamental issue to be addressed in the period of the MTFS is the Council's approach to cost pressures and growth in a period when funding is reducing. For 2017/18 growth and inflation has been examined and challenged to explore alternative options for meeting the cost pressures faced. Cost pressures are offset by savings. It is proposed that in future years Directorates will be required to manage their pressures within their resources as far as possible.

2.4 Overall Financial Projections for 2017/18-2020/21

Bringing together forecast income and forecast expenditure; there is a forecast funding gap of £46m in 2017/18 rising to £133m by 2020/21. Details of the build-up of the forecast are set out in the following paragraphs.

Developments in the Overall Financial Projections

The MTFS approved for 2016-21 reflected the financial projections for the Council based on the Autumn Statement 2015 and the Spending Review 2015. This forecast that the Council would have an overall deficit of £126 million for the period 2016/21.

The projected 4-year budget gap reported in the Efficiency Plan In October 2016 was £132 million. Based upon the details released by the Government in December 2016, and from the February 2017 release regarding the Liverpool City Region 100% Business Rates Retention Pilot Scheme the projections over the MTFS period are similar to those previously forecast.

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Original Projected Spend	286	304	322	340
Original Projected Income	241	234	227	208
Cumulative Budget Gap	45	70	95	132
Annual Budget Gap	45	25	25	37

The 4-year financial projections highlights that there continues to be a gap between the Councils available resources and spending pressures. As mentioned before the Council has been, and will continue to work through one of the most challenging financial periods it has ever faced. The Spending Review periods to 2015/16 have seen the greatest ever post war reduction in Local Government funding. It is clear from recent announcements that similar reductions will occur over the next four years. To respond to this the Council must reshape to meet this new financial reality. Wirral has made savings in the period 2011-2017 and will do so again in 2017/18. Significant savings are expected throughout the spending review period and beyond. It remains an increasingly difficult and unpredictable financial environment.

2.5 The Revenue Budget Strategy to meet Pressures

To meet these challenges and close the financial gap the MTFS will drive the financial planning process with the strategy based on aligning to the Wirral Pledges.

The Wirral Plan was approved on 13 July 2015 and was adopted by all strategic partners from the public, private and third sectors to create the first Wirral Plan. It provides a clear ambition for the borough based on three overarching priority areas:-

PEOPLE	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.
BUSINESS	Wirral is a place where employers want to invest and businesses thrive.
ENVIRONMENT	Wirral has an attractive and sustainable environment, where good health and an excellent quality of life is enjoyed by everyone who lives here.

The ambition for Wirral is underpinned by 20 pledges which define the outcomes to be achieved over the next five years. This shared set of outcomes, goals and objectives will see work towards integrating services and budgets and making best use of the available public sector resources for the benefit of Wirral people. Partners have committed to playing a lead role in achieving many of the 20 pledges.

To ensure the Wirral Plan becomes a reality there is an under-pinning Delivery Plan. Phase One was agreed on 8 October 2015 and this has since been subject to consultation and review in order to inform the series of strategies and plans which provide the detail as to how the pledges will be delivered by 2020.

The Council recognises the pressures on its budget and, while seeking to protect and enhance pledge supporting services as far as possible will aim to contain financial pressures within existing resources. The approach will be to avoid direct cuts to services where possible and deliver transformational change being informed by valuing what is most important for residents. To enable this, savings are themed to identify those that directly affect residents, such as service changes, and savings that have no direct impact on residents, such as delivering services differently. This approach reflects the Wirral Plan and the need to deliver services in the future.

Section 3 Financial Strategy 2017-2021

3.1 Achieving a Balanced Budget 2017/18-2020/21

Next Steps in the Financial Strategy

The agreed savings and the MTFS strategy will enable Wirral to balance the budget in 2017/18. As set out in the above sections, there will be a budget gap in the years after 2017/18 across the remaining 3 years of the strategy. The security of funding for these years enables the Council to plan for these years. To be able to assess the potential for savings and allocate out our resources where they maximize the achievement of the Wirral Plan outcomes, consideration has already been given to the shape of the Councils future financial strategy and the closing of the budget gap.

To develop an approach for the coming years we will utilise the work that was required to produce both the 2016/17 and the 2017/18 budget. This is also supplemented by the insight gained from the development of the Wirral Plan and it's supporting Strategies.

Financial Strategy Principles

The principles set out below provide a framework within which the Council will develop its detailed financial plans over the period to 2020/21.

- Ensure the delivery of the 20 Pledges in the Wirral Plan.
- Maximise the impact of our spending through prioritisation of resources.
- The budget will be balanced over the four years, thus securing a financially sustainable Council.
- Financial plans will be deliverable and acceptable.
- Exploit commercial opportunities. This may be through the challenge and renegotiation of contracts plus the maximisation of income opportunities to offset cuts to services.
- Collaborate and integrate with our partners and the public to transform what we do.
- Utilisation of the opportunities presented by devolution in the Liverpool City Region.

Financial Strategy Approach

The Financial Strategy that will develop over the four years will plan for the long term. The focus of the approach will be on the three themes set out below. The Council is clear on the scale of the challenge. The changing circumstances in which the council is operating means that there is a need to take a longer-term and high-level view of what local government will look like in the future, and the opportunities to innovate that may be available. These can be identified as follows:

Delivering Differently

The Wirral Plan sets out how public services will work together to deliver our ambitions for Wirral. In recent years the range of opportunities to either improve service delivery directly, or to reduce costs/increase income have increased. These forms of public service reform include a range of potential areas including ensuring the Council can derive the maximum benefit from any devolution of powers; and exploring areas of commercialisation, integration and collaboration with partners to share best practice and increase efficiency. The Council will continue to explore which of these opportunities could work. An element of this approach will be directed through the Transformation Programme. It aims to redesign what services are provided and importantly how the services are provided.

Income and resource management

The Council must do all it can to build its way to a sound financial position. Government proposals will result in local authorities receiving no general Revenue Support Grant from 2020 and being increasingly reliant upon the income generated locally from Council Tax, Business Rates and Fees and Charges. Maximising our income to offset the requirement for cuts is important to our Strategy as every £ generated is a £ that can be invested in securing services people require. This will not be achieved through charging more for services. The Wirral Plan sets out aims to increase investment, jobs and housing in the borough. This involves making better use of the assets available to ourselves and partners and translates into higher levels of Business Rates, Council Tax and people in work. As part of the effective and efficient management of resources the assumptions regarding future trends and indications from Government are kept under review. This also involves ensuring we get the best value for money from any contracts and that the services we purchase are those that best meet the needs of Wirral people.

Service Changes

The scale of the financial reductions makes it impossible to avoid changing or reducing some services. The Budget Strategy mitigates to a large degree the impact of Service Changes through the prioritisation of the first two themes which have few service specific impacts. The Council will continue to work with partners to ensure reductions are managed in a strategic, planned way to ensure we retain a focus on the overall vision for the borough.

For 2017/18 the Council are considering proposals and also planning for future years to provide assurance for the services the Wirral residents need. The issues the Council is facing have been monitored over the past year and the proposals for 2017/18 and future years follow the same budget themes as for 2016/17. The agreement of the four year funding settlement with the Government supports this longer term view and approach. The MTFS will further develop the indicative financial proposal for 2018/19-2020/21. Table 1 contains the detail which shows how over the period the budget gap can be closed. This is anticipated to happen in the later years as the use of balances will be required in 2017/18.

Summary of Proposed Savings 2017/18/Indicative proposals 2018/19-2020/21

As reported to Cabinet 20 February 2017

THEME	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Delivering Differently	5.4	8.2	9.7	19.9	43.2
Income and Resources	29.7	25.5	22.6	17.9	95.7
Service Changes	1.6	+0.6	-	-	1.0
TOTAL PROPOSALS	36.7	33.1	32.3	37.8	139.9

Implementing the Financial Strategy – Governance and Structure

Transformation Programme

An element of our approach to planning for the long term and delivering major change is directed through the Transformation Programme. This programme will cover an element of the savings and has the following six themes:

1. Delivering Differently
2. Managing Demand Differently
3. Resource Management
4. Service Change
5. Income and Growth
6. Commissioning Differently

The six themes are underpinned by two programme boards: Customer Experience and Assets with the Transformation Programme covering:-

CUSTOMER EXPERIENCE	ASSETS
To define and transform services to meet the needs of Wirral residents.	To reform the Wirral estate to be efficient and strategically constructed, to support the 20 Pledges and increase income.
Target areas include: ▪ Customer insight and segmentation ▪ Customer contact ▪ Community safety ▪ Integration in adults social care ▪ Children's services	Target areas include; ▪ Consolidation of office accommodation ▪ Development of 'One Public Estate', to encourage better use of buildings by partners ▪ Commercialisation ▪ Service transformation: Libraries, leisure, Floral Pavilion Theatre, parks and open spaces.

The Transformation Programme is a fundamental redesign of what the Council provides and more importantly how services are provided. It will cover almost all of the Council's directly-provided services to re-focus their delivery on the outcomes agreed in the Wirral Plan. This Programme is critical to the achievement of a balanced budget across the MTFS period. It is an ongoing programme to both transform our services and achieve significant savings. While not sufficient to cover the total funding gap Transformation forms a key part of the budget strategy for 2017/18 and beyond.

Governance

To ensure the work of the Transformation Programme is delivered a governance model involving Members and Officers is in operation: this is an on-going activity of maintaining a system of internal control which ensures effective and efficient delivery of the Transformation Programmes takes place.

Funding for Transformation

Flexible use of Capital Receipts

As part of the Local Government Finance Settlement 2016/17 the Government announced new flexibilities allowing local authorities to use capital receipts received between 1 April 2016 and 31 March 2019 to be used to fund transformational expenditure. To take advantage of this a Flexible Use of Capital Receipts Strategy 2017/18 has been prepared. To allow the treatment of revenue transformation costs as capital requires Full Council Approval of the Strategy.

The adoption of the Strategy will allow the funding of the costs of Transformation projects. If approved, this will relieve budgetary pressure on earmarked reserves. The capital receipts were originally intended to fund the Capital Programme. This source of finance will be replaced with borrowing. The Strategy is set out in Annex 2.

Implementing the Financial Strategy

The MTFS and agreement of proposed savings in March 2017 will balance the Councils budget for 2017/18 only. The Local Government Finance Settlement has confirmed that the Council will face a funding gap until the end of the MTFS period. While a number of financial details of the operation across this period remain uncertain the direction of travel is clear. To enable the Council to use its limited financial resources in ways that ensure the delivery of the Wirral Plan and assess opportunities for savings, there is a need to start work immediately on the development our future financial plans.

The work should build on and revisit the work that has been done to build the 2017/18 budget. The aim of this work is to create a "One Council", aligned approach to action planning and budgeting. Members have agreed a number of pledges for the Council. Initially, service areas will be asked to further develop the indicative proposals for the period 2018/19 – 2020/21.

2017/18-2020/21 Financial Strategy

To tackle the magnitude of the future financial challenge 2017/18 to 2020/21 requires a new long term approach to the identification of savings. At the same time the Council needs to make sure that its Medium Term Financial Strategy enables the achievement of the Wirral Plan and its pledges. It is clear that in the period the total financial resources of the Council and its partners need to be maximised, prioritised and matched to key services and activities.

The Council therefore needs to ensure that the resources that are available are focused on its pledges as set out in the Wirral Plan. Since 2010 the Council has examined and challenged the way services are delivered. A lot has been achieved through examining the way services are being delivered to make cost efficiencies. The experience in recent years is that reducing budgets across all services is not the most effective way to respond to the reductions required since 2010. The Council has and will continue to take a planned, longer term approach. It will examine how to prioritise resources over a number of years to determine how to provide services with less funding.

The period 2017/18-2020/21 will see further reductions in grant funding. There will be continued significant reductions in the grant funding received from Central Government. This will coincide with increasing demands for our services. The resulting increasing deficit combined with the reduced ability of the Council to get "the same for less" means that there are considerable financial challenges and decisions to be taken. Very difficult decisions are going to be needed to prioritise spend and ensure a viable budget in the future. The emphasis for future years will be challenging services the Council continues to fund, working with partner organisations and driving out efficiencies in ways of working.

However, efficiencies alone cannot solve the funding gap. To resolve this Council is evaluating everything it does and income it raises, to ensure that it delivers the most sustainable and targeted services possible for its communities. By continuing to take a themed approach the aim remains of reducing the impact on front line services. Instead of annual, arbitrary, reductions to budgets across the board, the Council is taking a planned, longer-term approach to achieving the required budget reductions by focussing on the things that contribute most to Pledge outcomes as set out in the Wirral Plan. This enables Wirral to maintain what its residents want the most and keep those key services that make a real difference. There is and will continue in the future to be a commitment to reduce the impact of any changes on the most vulnerable members of society.

Further work will be undertaken in the coming year, linked to the Wirral Plan, to prioritise resources to the achievement of priorities in addition the further development of detailed plans to implement the medium term financial strategy in the period to 2020/21. Reports detailing the development of the indicative financial proposal 2018/19-2020/21 will be presented to Members as part of the budget and strategic financial planning process. The approach to the budget needs a step change in thinking to ensure that real and difficult decisions are made whilst protecting the most vulnerable.

3.2 Equality

Equality and diversity themes are embedded into policy development and service planning as well as the budget planning process. The Council actively promote equality of opportunity and are committed to eliminating unlawful discrimination for all our residents, customers and employees. The Council values diversity, mainstreaming equalities into all of its service planning to enhance quality, improve access and deliver better value.

3.3 Review of the Medium Term Financial Strategy

The Council is facing a massive challenge to implement its financial strategy. This is in response to the Governments reductions in public expenditure. The draft budget for 2017/18 reflects the strategy contained in this MTFS through the minimisation of cost pressures and the planned implementation of a series of themed financial proposals. It is clear that the indicative financial proposals 2018/19-2020/21 need to be developed in the coming years to close the funding gap. The MTFS will be reviewed and updated at regular intervals during 2017/18 to assess the Council progress towards this key objective.

Section 4 General Fund Balances and Earmarked Reserves

4.1 Introduction

The maintenance of general fund balances and earmarked reserves at the correct level is part of the Council's strategic financial planning and approach to the management of risks it will face in the future. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.

The Council's approach to how it manages its reserves is based on Wirral's local circumstances. The amount held is decided by the Council in line with its perceived future local demands. As such there is no standard approach to the level of reserves that could be applicable to every Council. Despite the certainty given by the four year funding settlement the financial future for the Council continues to be challenging and a number major uncertainties remain. In determining the appropriate level the Section 151 Officer has assessed a number of local factors. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks 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).

Wirral Council adopts a risk-based approach to financial planning, which is used to determine the minimum level of reserves required. The aims of this approach are to:-

- Ensure the General Fund Balances are set at a reasonable level – this is the Council's 'last line of defence' should unforeseen financial difficulties emerge;
- Ensure earmarked reserves are set at a reasonable level to cover specific financial risks faced by Wirral Council – these may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years.

Over 2017/18 the overall level of available funds will reduce. The financial projections show that if the financial proposals are developed in full a budget gap will occur in 2017/18. However for future years the budget gap can be closed through the implementation of the proposals. To bridge the gap general fund balances and earmarked reserves are to be used in the early part of the MTFS timeframe.

4.2 General Fund Balances

Wirral Council's risk-based reserves strategy is applied in the context of the current state of the economy, the other financial risks facing the council and the underlying financial assumptions within the medium term financial plan. The level of the Working Balance has to be maintained at £10m for 2017/18.

The basis of the level of general fund balances framework are an area of risk, a budget amount, an assessed level of risk, and a percentage factor, which will vary according to the level of risk, which produces a value.

The areas of risk considered in the general contingency are set out in the report on the Revenue Budget 2017/18, with an explanation of the potential risks faced by Wirral Council. The calculation of the level of General Reserves Balances is as follows:-

	2016/17	2017/18
Assessed Minimum Level of Balances	£11.5m	£10.0m

4.3 Earmarked Reserves

The Council maintains earmarked reserves in addition to its General Fund Balances, which are set aside for specific purposes. The Council is obliged to maintain a number of Legally Restricted Reserves; these are sums of money that the Council is required to set aside for legally defined purposes (e.g. the Dedicated Schools Grant). Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes. The categories of earmarked reserves are as follows:

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION Support the development and transformation of the Council which includes the 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 and the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements

4.4 Monitoring and Management

Compliance against a benchmark for general fund balances is monitored on a regular basis and reported to Members through the Revenue Monitor report. The aims of this approach are to:

- Ensure the General Fund Balances are set at a reasonable level- this is the Councils ‘last line of defence’ should unforeseen financial difficulties emerge;
- Compliance against this benchmark is monitored on a regular basis and reported to Members through the revenue budget monitor.

4.5 Summary

Although the budget position is very challenging and will remain so for the foreseeable future, the Section 151 Officer considers the level of reserves and balances to be reasonable for 2017/18 based on:-

- Working Balance of £10m, which assessed as reasonable given the financial risks the council is facing;
- Current level of general fund earmarked reserves.

As the Council uses its reserves instead of making budget reductions the level of reserves held will reduce as they are used up. Reserves are being used in the first year of the MTFS period to smooth budget reductions. However the budget reductions required to balance the budget cannot be avoided through the use of balances. In addition using reserves means that the Council is less likely to be able to fund unforeseen events or plan for future transformational changes without the need to make further reductions in expenditure. A financial priority is the bolstering of reserves to fund support to future changes such as Transformation in the later part of the MTFS timeframe.

Section 5 Capital and Treasury Management

5.1 Balance Sheet Management

Balance sheet management is a comprehensive approach to managing assets and liabilities to ensure that resources are used effectively (both financially and operationally) and that appropriate governance arrangements are in place around the use of public sector assets and liabilities. Failure to do this could expose the authority to a range of operational, reputational and accounting risks.

The Council already has embedded processes to review its fixed assets through the asset management strategies, for treasury management and borrowing. Over the course of 2017/18 it will undertake a self-assessment of the process for managing and making provisions for outstanding debtors to ensure that it is effective and will implement any appropriate changes.

5.2 Capital Overview

The MTFS includes the capital strategy for a three year period 2017/18 to 2019/20. The strategy is designed to maximise outcomes through a prioritisation of limited resource allocations. The Council will continue to identify future capital resources including on-going reviews of its own asset holdings, the latter aiming to generate receipts to be reinvested into its capital resources. In addition the strategy seeks to minimise the level of unsupported borrowing where no additional source of income or saving can be identified to cover the ongoing revenue costs.

5.3 Capital Strategy

The Capital Strategy is concerned with, and sets the framework for, all aspects of the Council's capital expenditure over the 3 year period 2017/18 to 2019/20 – its planning, prioritisation, management and funding. It is closely related to, and informed by; the Council's Asset Management Plan and is an integral aspect of the Council's medium term service and financial planning process as reflected in the MTFS. It is also essential that the strategy reflects the wider public and private sector investment into the overall improvement of the area.

The key aims of the Capital Strategy are:

- how the Council identifies, programmes and prioritises capital requirements and proposals;
- provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Wirra Plan objectives;
- consider options available to maximise funding for capital expenditure;
- identify the resources available for capital investment over the three year planning period;

5.4 Treasury Management

The Treasury Management Strategy sets out the expected treasury operations for this period, linked to the Council's Medium Term Financial Strategy, Capital Strategy, Asset Management Plan and the Wirral Plan. It is inextricably linked to delivering the Council's priorities and strategy. It contains four key legislative requirements:-

- The Treasury Management Strategy Statement which sets out how the Council's treasury service supports capital decisions, day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit required by Section 3 of the Local Government Act 2003 and is in accordance with the CIPFA (Chartered Institute of Public Finance & Accountancy) Codes of Practice;
- The reporting of the prudential indicators for external debt and the treasury management prudential indicators as required by the CIPFA Treasury Management Code of Practice;
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the Department for Communities and Local Government (DCLG) Guidance on Local Government Investments updated in 2010;
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year as required by Local Authorities (Capital Finance and Accounting) Regulations 2008.

Revised editions of the CIPFA Prudential Code for Capital Finance in Local Authorities and CIPFA Treasury Management Code of Practice were published in November 2011. The Council has adopted the codes and the Treasury Management Strategy Statement 2017-20 reflects the updated codes.

Indicative Budget Proposals for 2018/19-2020/21 **Annex 1**

DELIVERING DIFFERENTLY	18/19 £m	19/20 £m	20/21 £m	TOTAL £m	NARRATIVE OF PROPOSAL
Leisure and Cultural Services	-	-	10.30	10.30	Transformation Programme savings
Access Wirral	-	-	4.30	4.30	Transformation Programme savings
Community Safety (Safer Wirral)	-	-	0.10	0.10	Transformation Programme savings
Adult Social Care Integration	4.50	6.00	4.00	14.50	NHS & Social Care integration programme and the Precept and Better Care Fund.
Children's Services	3.70	3.70	1.20	8.60	Children's changes to be within the Transformation Programme.
Sub Total	**8.20**	**9.70**	**19.90**	**37.80**	

REVISED ASSUMPTIONS	18/19 £m	19/20 £m	20/21 £m	TOTAL £m	NARRATIVE OF PROPOSAL
Revised Pay Assumptions (now 1%)	1.00	1.00	0.50	2.50	Reductions in the sums originally identified based on updated assessments with no impact on services
Removed General Prices Inflation	0.50	0.50	0.50	1.50	
Removed Unallocated Growth	4.90	4.70	2.40	12.00	
Reprofiled Pension payments	-0.60	-0.50	0.10	-1.00	Commercial approach over the use of finance related opportunities with no impact on services
Community Fund (one-off 2017/18)	-0.70	-	-	-0.70	
Capitalised Transformation Team	-	-0.50	-	-0.50	
Sub Total	**5.10**	**5.20**	**3.50**	**13.8**	

INCREASING INCOME	18/19 £m	19/20 £m	20/21 £m	TOTAL £m	NARRATIVE OF PROPOSAL
Council Tax Increase	2.70	2.90	3.10	8.70	Council Tax increase of 1.99% per year
Adult Social Care Precept	4.00	0.40	-	4.40	Precept must be allocated to Adult Social Care. 3% 2018/19.
Housing Growth	1.70	5.30	7.60	14.60	Growth subject to Local Plan and housing developments.
Improved Better Care Fund	6.90	6.00	-	12.90	Must be allocated to Adult Social Care
Adult Social Care Grant 2017/18	-1.80	-	-	-1.80	Must be allocated to Adult Social Care
Business Rates	3.50	-	1.30	4.80	Projected growth
New Homes Bonus (phasing out)	-0.70	-0.70	-0.50	-1.90	Reduction in New Homes Bonus
Increase in Planning Income	0.10	-	0.10	0.20	Planning advice and increased applications
Sub Total	**16.40**	**13.90**	**11.60**	**41.90**	

COMMISSIONING / CONTRACTS	18/19 £m	19/20 £m	20/21 £m	TOTAL £m	NARRATIVE OF PROPOSAL
Estates and Assets Management	0.70	0.50	-	1.20	Office closures and disposals
Waste Levy	-0.30	-	-	-0.30	Projection change to levy
Transport Levy	2.18	2.00	1.80	6.20	Projected reduction in transport levy
Sub Total	**2.60**	**2.50**	**1.80**	**6.90**	

FEES & CHARGES	18/19 £m	19/20 £m	20/210 £m	TOTAL £m	NARRATIVE OF PROPOSAL
Fees & Charges – general	1.00	1.00	1.00	3.00	Review and increase of charges
Car Parking	0.45	-	-	0.45	Three proposals regarding tariffs and new charges at country parks and New Brighton and Town Centres
Sub Total	**1.45**	**1.00**	**1.00**	**3.45**	

SERVICE CHANGES	18/19 £m	19/20 £m	20/21 £m	TOTAL £m	NARRATIVE OF PROPOSAL
Training Budgets	-0.30	-	-	-	Re-instatement of the budgets paused in 2017/18
Car Park Maintenance	-0.08	-	-	-	
Constituency Committees	-0.20	-	-	-	
Sub Total	**-0.58**	**-**	**-**	**-0.58**	

SERVICE CHANGES	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
DELIVERING DIFFERENTLY	8.20	9.70	19.90	37.80
INCOME & RESOURCES	25.50	22.60	17.90	66.00
SERVICE CHANGE	-0.58	-	-	-0.58
Sub Total	**33.12**	**32.30**	**37.80**	**103.22**

Annex 2

Flexible Use of Capital Receipts Strategy 2017/18

Background

1. The Government believes that it is important that individual authorities demonstrate the highest standards of accountability and transparency. The guidance on the flexible use of capital receipts recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent.

The latest guidance by the Secretary of State directs that:

2. Authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure. Such expenditure must be incurred between 1 April 2016 and 31 March 2019.

3. The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery. These schemes are encapsulated within the Transformation Programme which has two main strands; Customer Experience and Assets.

The Council's intends to use the following use of capital receipts to fund the following:

	2017/18	**2018/19**	**2019/20**
Transformation Programme	**£000**	**£000**	**£000**
Transformation Programme – Assets and Customers	5,740	TBC	TBC
Transformation Programme – Children's' Services	10,000	TBC	TBC
Total Programme (funded from capital receipts)	**15,740**	**-**	**-**

Transformation Programme 2017/18

Projects	Further Details	Cost £000	Benefit £000
Customer Experience	Access Wirral Community Safety Adult Social Care Integrated Delivery Adult Social Care Integrated Commissioning Digital Transformation Customer Insight Transformation Office	2,330	TBC
Assets	Commercialism Property Land and Assets Service Transformation Business Services Transformation Office	2,210	TBC
Other	Organisational change Transformation Office	1,200	TBC
Children's Services	Funding for transformation of service and Improvement Plan to improve services and outcomes. Initial assessment will be subject to review in 2017/18 in order to safely reduce number of looked after children.	10,000	TBC
Total		15,740	TBC

Annex 3

Capital Strategy 2017-20

Overview and Purpose of the Capital Strategy

The capital strategy sets out the strategic direction for the Council's capital management and investment plans. It is aligned to Council plans and strategies, including the Wirral Council Plan "A 2020 Vision" and the Transformation Programme. It is an integral part of our financial and service medium-long term planning and budget setting process. It sets the principles for prioritising our capital investment under the prudential system.

Capital plays an important role in delivering long term priorities as it can be targeted in creative and innovative ways.

Capital investment shapes the future, ensures the organisation is fit for purpose and can transform services and ways of working. It can act as a catalyst and enabler for change. Our spending on capital remains a significant proportion of overall spend and provides an important driver for service transformation and economic growth.

With a challenging financial environment for the foreseeable future that is influenced by a variety of external factors, there will only ever be a limited amount of capital resources available. Therefore, it is vital that we target limited resources to maximum effect with a focus on our strategic and financial priorities.

The pressure on the Council's 2017-20 revenue budgets does limit the scope for unsupported capital expenditure (that generate revenue costs) compared to schemes that generate revenue savings. This is evidenced by the fact that there is a £1 million reduction in the financing costs budget for 2017/18 and all new borrowing costs will be funded within a reduced amount of budget provision.

The Council does have a duty of care and certain statutory responsibilities. Therefore, priority will be given to:

a) Invest to Save schemes (cost reduction or income generation)
b) Essential health and safety works
c) Grant funded schemes

Wirral's budget planning processes integrate both capital and revenue so that coherent decisions are made on a level of borrowing that is prudent, affordable and sustainable for the Council. The difficult financial environment means we have to spend limited money wisely and there is a delicate balancing act in managing these types of potential pressures effectively.

Influences on the Capital Strategy

We are still faced with unprecedented change and uncertainty in the public sector and the following are some of the major influences on our capital strategy.

Local Government Funding
It is estimated that the funding gap for 2017/2021 is £132 million. The Government have set out projected funding levels for local authorities up to 2019/20 and confirmed that the Revenue Support Grant would be reduced and phased out by 2020 preceding the proposed 100% retention of Business Rates post-2020.

Demand pressures
Furthermore the Council is facing rising demand for its services especially in the area of Adult and Children's Social Care. The Council is seeking creative new ways of providing services which may require capital investment to deliver best value for our communities and taxpayers. Our future capital programme must deliver benefits that support the delivery of the Wirral Council Plan and our financial aims and requirements.

Strategic asset management
Capital and assets are two sides of the same coin and it is vital that our capital programme complements the Asset Management Plan.
Additional flexibilities regarding the use of capital receipts were confirmed following the Chancellor's Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019, excluding Right-To-Buy receipts, can be used to fund Transformation subject to a suitable strategy being in place. Consequently there is an even bigger challenge to generate capital receipts. Our asset rationalisation and disposals policy must be rigorous in order to generate the necessary receipts.
Inefficient properties must be turned into efficient ones or disposed of.

The challenge for any capital programme is that due to the nature of capital projects (e.g. building projects delayed by funding, planning or construction issues) they do not always deliver to anticipated timescales or budgets, which can increase costs and create additional revenue pressures. In a challenging financial environment, effective procurement, robust contract management and strong management grip are essential to manage costs and ensure all spend counts.

<u>Definition and Eligibility of Capital Expenditure</u>

Local authority capital expenditure must comply with legislative and accounting requirements.

Capital expenditure can fall into one of two main categories

The acquisition, creation or installation of a new fixed asset. The Council must have the right to some future economic benefit which for the public sector is broadly equivalent to where the expenditure allows us to provide goods and services in accordance with our objectives.

Increase the service potential of an asset, rather than just maintaining it by.

Lengthening substantially the life of the asset; or
Increasing substantially the asset's market value or
Increasing substantially either the extent to which an asset can be used or the quality of its output.

These rights must also extend into the future, at least more than one year.

A de minimis level is applied – for Wirral this is £10,000 i.e. anything below this value individually is classed and treated as revenue.

Expenditure which merely maintains the value of an existing asset cannot be classified as capital expenditure.

In addition to the categories above an Authority can also give a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure.

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the secretary of state does however have powers to widen (or indeed narrow) the definition of capital expenditure and can issue specific capitalisation directions to local authorities whereby expenditure that is revenue in nature can be capitalised if a number of strict criteria are met. The flexible use of capital receipts is a prime example.

Financial Implications of the Capital Programme

Over the last three years, including the estimated programme for 2016/17, Wirral will have spent on average £34 million per year on capital projects. The latest plans call for an investment of £128 million over the next three years. Out of this £59 million or 46% of the programme will be funded from unsupported borrowing. The estimated borrowing cost associated with this is £2 million by March 2020. This can be accommodated within the budget projections for Treasury Management. This is partly due to Internal borrowing, the temporary use of cash flow monies arising from the Council's holding of earmarked reserves and balances to delay external borrowing which has been used to reduce interest costs.

Capital resources are not unlimited or "free money" – our capital funding decisions can have major revenue implications. Two funding costs are incurred when a capital scheme is funded from borrowing;

A Minimum Revenue Provision – the amount we have to set aside each year to repay the loan and this is determined by the life of the asset associated with the capital expenditure; and

Interest costs for the period of the actual loan. For budgetary purposes the cost of borrowing has been assumed to be 3.5% in 2017/18.

These are in addition to any ongoing maintenance and running costs associated with the investment.

The capital programme should support the overall objectives of the Council and act as an enabler for transformation of the Councils aims and priorities.

Sources of Capital Funding

There are a variety of different sources of capital funding, each having different complications and risks attached.

Borrowing

By the end of March 2017 it is estimated that Wirral's long term borrowing will be in the region of £191 million. Based on the proposed capital programme the proportion of net debt costs will increase from 9.3% in 2017/18 to 10.1% in 2019/20. This is calculated as a percentage of the forecast net revenue budget over the next three years. The level of borrowing to fund the capital programme must take into account the revenue implications. The Prudential Capital Finance system allows Local Authorities to borrow for capital expenditure without Government consent provided it is affordable. Local authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.

As a guide, borrowing incurs a revenue cost of approximately 7.5% of the loan each year, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs to be satisfied that it can afford this annual revenue cost i.e. for every £1 million of borrowing our revenue borrowing costs are around £75,000.

The Government has given Local Authorities greater freedom in the way they provide for their debts. We have to earmark revenues each year as provision for repaying debts incurred on capital projects. When the MRP regime changed on 31 March 2008 it became a duty on each local authority to make provision for debt which the local authority considers prudent.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets using an annuity method (as per Cabinet 19th December 2016, item no.95), starting in the year after the asset becomes operational.

Grants

Government grants are reducing, or changing in nature. Most are effectively ring-fenced and expected to finance those schemes for which the grant was allocated. Where possible we will not use unsupported borrowing as a 'top up' for a scheme unless there is a sound business case or an element of match funding is required. We must however meet our statutory obligations and where the grant is not sufficient, other sources of funding will be sought to fund the gap.

Capital Receipts

Capital receipts are estimated and are based upon the likely sales of assets as identified under the Asset Management Plan. These include development sites, former school sites and the agreement with Wirral Partnership Homes for the sharing of receipts from sales of former Council houses. Receipts are an important source of finance in reducing the level of borrowing. For 2017/18 and 2018/19 the emphasis will switch to funding the Transformation Programme.

Flexible use of capital receipts
Additional flexibilities regarding the use of receipts were confirmed following the Chancellor's Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019 can be used to fund Transformation provided the Council has agreed a Transformation Programme setting out the projects, costs and deliverable benefits / savings.

Table 1: Projected Capital Receipts for traditional capital schemes

	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Capital Receipts Reserve	8,047	1,937	400	800
In - Receipts Assumption	454	400	400	3,900
Out - Funding (Capital)	-6,564	-1,937	TBC	TBC
Closing Balance	1,937	400	800	4,700

Table 2: Projected Capital Receipts for the Transformation Programme

	2016/17	2017/18	2018/19
	£000	£000	£000
Capital Receipts Reserve	0	500	60
In - Receipts Assumption	500	15,300	5,700
Out - Funding Transformation	0	-15,740	TBC
Closing Balance	500	60	5,760

The anticipated receipts are only estimates at this stage and will likely change.

A set of principles is to be applied in assessing the best outcome when sites become available for disposal. Such options could for example include community transfer, RSL transfer, development for extra care housing or site disposal.

Revenue / Other Contributions
The Prudential Code allows for the use of additional revenue resources within agreed parameters. Contributions are received from other organisations to support the delivery of schemes with the main area being within the education programme with contributions made by individual schools.

Investment decisions
The strategy requires a mechanism for determining the Councils most important schemes that will implement change in Council services and yet are in line with the financial constraints that Wirral operates under. This means that decisions have to be made as to which projects go ahead and which don't. The following table explains the criteria that have been developed to assess capital bids, to ensure that our capital programme is targeted to our priority areas. This forms the basis for the Assets and Capital Group to independently assess individual bids before recommending them or not for inclusion in the draft Capital Programme presented to Cabinet for approval.

CAPITAL PROGRAMME 2017/20

SCORING MECHANISM FOR ASSESSING CAPITAL BIDS

Scheme Title	Score 1-10	Multiplier	Weighted Score
Essential Health & Safety Is there a clearly identifiable requirement to meet essential health and safety or DDA obligations?	10	20	
Objectives and outputs Are the stated objectives specific, measurable, achievable and realistic?	10	5	
Have any outputs been quantified?	10	5	
Have any project constraints been assessed and full consideration given to addressing these?	10	5	
Will not doing the scheme result in a significant drop in the level of service the Council provides?	10	5	
Identification of Alternative Options Have alternative options been fully considered with detailed reasons for rejection evidenced?	10	5	
Finance Business case demonstrates achievable/realistic revenue savings OR generates additional income	10	10	
If yes, score by comparing to the cost of borrowing	10	10	
In which year are revenue savings first anticipate?	20	10	
The scheme requires additional revenue resources over and above capital financing costs	10	10	
Does the scheme receive specific funding from external sources?	10	10	
Risk Have risks been properly identified and scored?	10	10	
Overall Weighted Score			xxxx

Governance and process

In order to deliver the strategy, there needs to be a governance framework. Cabinet will receive quarterly reports on the progress of the capital programme and its funding.

The terms of reference for the Assets and Capital Group are included at Appendix 1.

Capital Programme and Financing 2017/20

Council on 6 March 2017 will agree the capital programme and financing 2017/20.

PROGRAMME TO BE INCLUDED AFTER IT HAS BEEN AGREED

Assets and Capital Group – Terms of Reference

The Assets and Capital Group meets monthly and at a minimum shall comprise Senior Managers/Heads of Service or above from each of the three Functions. the terms of reference have been refreshed for 2017/18.

The main purpose of the ACG is two-fold:

- To develop the Capital Investment Programme and proactively manage progress against plan, key risks and spend for schemes within it, enabling the Section 151 Officer to discharge statutory responsibilities.
- In accordance with the Wirral Asset Strategy, to make informed decisions on the future use of assets ensuring that appropriate consideration is given to the requirements of all service areas within the organisation and, when appropriate, the full potential of capital receipts are realised.

Specific Responsibilities are as follows:

1. Provide content for the monthly capital monitoring reports, and annual Capital Strategy Report prior to submission to the Strategic Leadership Team (SLT).
2. Develop, monitor and keep under review the Council's capital investment appraisal system, providing guidance when submitting annual bids for inclusion in the three year Capital Programme.
3. o assess, approve or reject capital bids in accordance with the above appraisal system. This will form the basis of the new Capital Programme presented to SLT and then onwards to Cabinet for their consideration.
4. To recommend the Capital Programme and assess any in year demands to increase the programme, being mindful of any impact on the revenue budget. All recommendations to be presented to SLT and then onwards to Cabinet for their consideration.
5. Ensure that all bids for capital funding are aligned to Wirral Council strategies and the Wirral 2020 Plan.
6. To ensure that scheme leads produce a realistic expenditure profile for all capital schemes for which they have responsibility.
7. Monitor and review the progress of schemes within the Capital Programme, ensuring that key risks & issues are managed/escalated as appropriate and that any slippage against key milestones and budgeted spend are managed effectively.
8. To act as the forum to discuss all strategic decisions relating to potential asset disposals and acquisitions. Recommendations will then be referred to the Strategic Asset Board for consideration.
9. Through the 'Asset Challenge Process'; make strategic decisions in relation to surplus and underperforming land, buildings and property interests.
10. To identify, scope and evaluate viable alternative uses of assets, having regard to material considerations and in consultation with

stakeholders and bring forward proposals to optimise the use and value of property interests.

11. To oversee external agents as required to support programmes, deal with the larger disposals and advise the Council with regard to alternative uses and options for, including disposal, joint venture etc.
12. To appropriate and manage all surplus Council sites for development purposes, to manage the disposal programme and to be accountable for delivery.
13. To ensure that the impact of proposed service changes / transformation activity is discussed, understood and considered in all decision making.

Annex 4

Treasury Management Strategy 2017-20

1. BACKGROUND

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services 2011 (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Annual Investment Strategy (AIS) that is a requirement of the Department for Communities and Local Government (CLG) Investment Guidance (revised 2010).

1.2 This report fulfils the Authority's legal obligation under the Local government Act 2003 to have regard to both the CIPFA Code and the CLG guidance.

1.3 *W*irral Council defines its treasury management activities as *"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.4 The Council will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement (see Appendix A), stating the policies, objectives and approach to risk management of its treasury management activities.

- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.5 Treasury Management is about the management of risk. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk.

1.6 As per the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management Code of Practice. All treasury activity will comply with relevant statute, guidance and accounting standards.

1.7 The purpose of this Treasury Management Strategy Statement is to approve:

- Treasury Management Strategy for 2017/20.
- Annual Investment Strategy for 2017/18
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Prudential Indicators for 2017/18, 2018/19 and 2019/20
- Authorised Signatories for Treasury Management Activity

1.8 In accordance with the CLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance

2. CAPITAL FINANCING REQUIREMENT

2.1.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's strategy will be to minimize external borrowing, where possible, though, the utilisation of investment balances, sometime known as internal borrowing.

2.2 The Authority's current level of debt and investments are in Appendix B.

2.3 CIPFA's Prudential Code of Practice recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

2.4 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

Table 1: Balance Sheet Summary Analysis

	31-Mar-17 Estimate £m	**31-Mar-18 Estimate £m**	**31-Mar-19 Estimate £m**	**31-Mar-20 Estimate £m**
Capital Financing Requirement (CFR)	332	354	354	356
Less: Existing Profile of Borrowing and Other Long Term Liabilities	239	227	216	211
Cumulative Maximum External Borrowing Requirement	**93**	**127**	**138**	**145**
Usable Reserves	79	62	55	50
Cumulative Net Borrowing Requirement	**14**	**65**	**83**	**95**

2.5 Table 1 shows that the capital expenditure plans of the Authority over the next three years cannot be funded entirely from other sources and external borrowing will eventually be required. Useable reserves are subject to review as part of the Financial Strategy.

3. BORROWING STRATEGY

3.1 The Authority as at 31st December 2016 held £191 million of longer term loans, a decrease of £6 million from March 2016, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that in theory the Authority could need to borrow up to £127m in 2017/18. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £469 million, as per Appendix D, Table G.

3.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

3.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

3.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the short term as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Authority's Treasury Management advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.5 Alternatively, the Authority may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

3.6 In addition, the Authority may borrow short-term to cover unexpected cash flow shortages.

3.7 The approved sources of long term and short term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- Local authorities
- Any institution approved for investments
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (with the exception of Merseyside Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency Plc and other special purpose companies created to enable joint local authority bond issues

3.8 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

3.9 At present, the PWLB remains the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide, however the Authority continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

3.10 The Department of Communities & Local Government (CLG) has now confirmed that HM Treasury (HMT) are taking the necessary legislative steps to abolish the Public Works Loan Board (PWLB). This development is purely being taken to address the governance of the PWLB. The CLG have stated that it will have no impact on existing loans held by local authorities or the government's policy on local authority borrowing. Despite its abolition, HMT has confirmed that its lending functions will continue unaffected albeit under a different body. LAs will continue to access borrowing at rates which offer good value for money. Borrowing from the new successor body will be via a similar process to the one that currently exists.

3.11 The Local Government Association (LGA) Bond Agency: UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

Type of borrowing

3.12 As the cost of carry remains high there is a greater reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review.

LOBOs

3.13 The Authority has £155m of exposure to LOBO loans (Lender's Option Borrower's Option) of which £150m of these can be called within 2017/18. A LOBO is called when the lender exercises its rights to amend the interest rate on the loan at which point the borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion. This refinancing risk is mitigated by the low interest rate climate, which has now been in existence for a number of years.

3.14 Any LOBOs called will be discussed with our Treasury Management advisors prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

Debt Rescheduling

3.15 The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

3.16 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. The lower interest rate environment has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities may arise. The rationale for undertaking debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

3.17 The affordability, prudence and sustainability of borrowing plans will be regulated by a range of Prudential Indicators, which are in Appendix D.

3.18 Borrowing and rescheduling activity will be reported to Cabinet in the Annual Treasury Management Report and the regular treasury management reports.

4. ANNUAL INVESTMENT STRATEGY

4.1 In accordance with Investment Guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments are important but are secondary considerations.

4.2 The Authority and its advisors continually assess economic and market conditions for signs of credit or market distress that might adversely affect the Authority.

4.3 **Negative Interest Rates**: If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

4.4 As at 31st December 2016, the Authority held £36 million of invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £36 million and £83 million. A similar range in investment level is expected in the forthcoming year, depending of the levels of grant received and the payment profiles.

4.5 Given the increasing risk and falling returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2017/18. This is especially the case for funds that are available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds.

4.6 The Authority may invest its surplus funds with any of the counterparties shown in Appendix C, subject to the cash and time limits shown.

4.7 **Banks Unsecured Investments**: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured Investments: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Other Organisations: The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's Treasury Management advisor.

4.8 **Risk Assessment and Credit Ratings:** The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

4.9 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

4.10 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected immediately in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will

cause a reduction in the level of investment income earned, but will protect the principal sum invested.

4.11 **Specified Investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

4.12 **Non-specified Investments**: Any investment not meeting the definition of a specified investment is classed as non-specified. If the Authority considers entering into any non-specified investments it will first seek the professional advice of its external advisor. Limits on non-specified investments are shown in Appendix C

4.13 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

4.14 **Investment Limits:** In order that the risk to the Authority's finances is further minimised in the case of a single default, a group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts (e.g. King & Shaxson), foreign countries and industry sectors as referred to in Appendix C. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

4.15 When calculating counterparty limits, the investment portfolio may be grossed up to include amounts that are being utilised by the Authority in lieu of borrowing (internally borrowed), as per the Authority's external advisor.

4.16 Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

4.17 **Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

4.18 **Debt Management Office:** In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. The rates of interest from the Debt Management Account Deposit Facility are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.

4.19 The Section 151 Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to Cabinet meetings.

5. OTHER ITEMS OBLIGED BY CIPFA OR CLG TO BE INCLUDED IN THE TREASURY MANAGEMENT STRATEGY

5.1 **Derivative Instruments:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

5.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

5.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

5.4 The local authority will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

5.5 **Investment Training**: The needs of the Authority's treasury management staff for training in investment management are assessed regularly as part of the staff 'Performance Appraisal and Development' process and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by the Treasury Management Advisors and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

5.6 **Investment Advisors:** The Authority continues to utilise an independent treasury advisor to provide the following services:

- Credit advice
- Investment advice
- Technical advice
- Economic & interest rate forecasts
- Workshops and training events

Following a competitive tendering process, Arlingclose Limited were awarded a contract to supply this advisory service for an initial three year period starting 1st April 2016, with the option to extend for up to a further two years.

The Treasury Management Team within Finance monitor the quality of the service provided.

5.7 **Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

5.8 In 2017/18 the total amount borrowed will not exceed the authorised borrowing limit of £469 million as per Appendix D, Table G. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

6. INTEREST RATE FORECAST

6.1 The economic interest rate forecast provided by the Authority's treasury management advisor is attached at Appendix E. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

7. POLICY ON DELEGATION

7.1 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

7.2 On a day to day basis the Treasury Management Team within Finance undertakes the treasury management activities.

7.3 Decisions on short term investments and short term borrowings may be made on behalf of the Section 151 Officer by the Principal Accountant with the responsibility for investments or any other members of that team who are empowered to agree deals subject to their conforming to the Authority's Treasury Management Strategy and policies outlined in this report.

7.4 Actual authorisation of payments from the Authority's bank account will be made by those listed in Appendix G.

7.5 Decisions on long term investments or long term borrowings (i.e. for periods greater than one year) may be made on behalf of the Section 151 Officer by the Principal Accountant or the Senior Accountant on the Treasury Management Team and will be reported to Cabinet.

7.6 All officers will act in accordance with the policies contained within this document.

8. PERFORMANCE MONITORING AND REPORTING

8.1 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

8.2 The Council will produce an Outturn Report on its treasury activity no later than 30 September after the financial year end.

APPENDIX A

TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and background

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

2. Policies and objectives of treasury management activities

2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

APPENDIX B

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	Current Portfolio as at 31 Dec 16 £m
External Borrowing:	
Fixed Rate – PWLB	31
Fixed Rate – Market (LOBO and Other Loans)	160
Variable Rate – PWLB	0
Variable Rate – Market	0
Total External Borrowing	191
Other liabilities:	
PFI	49
Finance Leases	0
Total Other Long-Term Liabilities	49
Total External Debt	240
Investments:	
Managed in-house	
Deposits with Banks and Building Societies	22
Deposits with Money Market Funds	9
Deposits with other Public Sector Bodies	2
Deposits in Community Interest Companies	1
Managed externally	
Royal London	1
Payden Sterling Reserve	1
Total Investments	36
Net Borrowing Position	204

APPENDIX C

APPROVED INVESTMENT COUNTERPARTIES

Investment Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	10% 5 years	15% 20 years	15% 50 years	5% 20 years	5% 20 years
AA+	10% 5 years	15% 10 years	15% 25 years	5% 10 years	5% 15 years
AA	10% 4 years	15% 5 years	15% 15 years	5% 5 years	5% 15 years
AA-	10% 3 years	15% 4 years	15% 10 years	5% 4 years	5% 15 years
A+	10% 2 years	15% 3 years	10% 5 years	5% 3 years	5% 5 years
A	10% 13 months	15% 2 years	10% 5 years	5% 2 years	5% 5 years
A-	10% 6 months	15% 13 months	10% 5 years	5% 13 months	5% 5 years
BBB+	5% 100 days	10% 6 months	7.5% 2 years	2.5% 6 months	2.5% 2 years
None	£1m 6 months	n/a	10% 25 years	£50,000 5 years	5% 5 years
Pooled funds	10% per fund				

*Limits are shown as a percentage of the cash to be invested; however these will be converted into round fixed sums of money for practical purposes. As the amount of cash to be invested will fluctuate throughout the year, limits will also vary. These variations will be monitored by the Treasury Management section.

Non-Specified Investments Limits

	Cash limit
Total long-term investments i.e. longer than 364 days	75% in total
Total investments without credit ratings or rated below [A-]	75% in total
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [AA+]	£20m

Group Investment and Industry Sector Limits

	Cash limit
Any single organisation, except the UK Central Government	10% each
UK Central Government	unlimited
Any group of organisations under the same ownership	10% per group
Any group of pooled funds under the same management	25% per manager
Negotiable instruments held in a broker's nominee account	25% per broker
Foreign countries	20% per country
Registered Providers	25% in total
Unsecured investments with Building Societies	10% in total
Loans to unrated corporates	10% in total
Money Market Funds	50% in total

APPENDIX D

PRUDENTIAL INDICATORS AND MRP STATEMENT 2017/ 2018

1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "Prudential Code") when setting and reviewing their Prudential Indicators. In 2013 the CIPFA Prudential Code was revised and the changes have been incorporated into the Prudential Indicators below.

2. Estimates of Capital Expenditure

It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. The table below is based on the proposed capital programme, which is subject to approval and included in the same agenda as this report. As such, these figures may vary depending on Cabinet decision regarding the capital programme.

Table A:

	2016/17 Approved £000	2016/17 Revised £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000
Capital Expenditure	**48,907**	**30,784**	**77,519**	**28,270**	**21,970**

Capital expenditure is expected to be financed and funded as follows:

Capital Financing	2016/17 Approved £000	2016/17 Revised £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000
Unsupported Borrowing	17,652	7,289	35,121	13,770	10,470
Capital Receipts	13,339	6,564	17,677	0	0
Capital Grants	16,912	16,814	20,571	9,500	6,500
Revenue Contribution	1,004	117	150	0	0
Business Rates	0	0	4,000	5,000	5,000
Total Financing and Funding	**48,907**	**30,784**	**77,519**	**28,270**	**21,970**

3. Incremental Impact of Capital Investment Decisions:

As an indicator of affordability the table below shows the impact of capital investment decisions on Council Tax. The incremental impact represents the year on year increase in Band D Council Tax. It is calculated by comparing the additional financing costs, incurred to fund the Capital programme.

Table B:

Incremental Impact of Capital Investment Decisions	2016/17 Revised £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Increase in Band D Council Tax	0.00	7.70	27.46	6.98

4. Ratio of Financing Costs to Net Revenue Stream

The estimate for interest payment in 2016/17 is £8.9 million and for interest receipts is £0.3 million. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability. It highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meeting borrowing costs. The ratio is based on costs net of investment income.

Table C:

Ratio of Finance Costs to net Revenue Stream	2016/17 Revised %	2017/18 Estimate %	2018/19 Esimate %	2019/20 Estimate %
Ratio	8.45	9.85	11.18	11.59

5. Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing.

Table D:

Capital Financing Requirment	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Esimate £m	2019/20 Estimate £m
CFR	341	332	354	354	356

6. Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. Its purpose is to ensure that over the medium term, net debt will only be for a capital purpose. In order to ensure this debt must not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and the next two financial years.

The Authority had no difficulty meeting this requirement in 2016/17. In the short term this should still be the case but the margin significantly reduces if levels of internal borrowing are reduced. This view takes into account current commitments, existing plans and the proposals in the approved budget.

7. Actual External Debt

The Council's balance of Actual External Debt (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities) is forecast to be **£239m** at 31st March 2017. A breakdown of this figure is provided in Table E below. This Prudential Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Table E:

Actual External Debt as at 31 March 2016	2016/17
	£m
Borrowing	191
Other Liabilities	48
Total	**239**

8. The Authorised Limit

The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external debt items on the Balance Sheet and is the statutory limit determine under Section 3 (1) of the Local Government Act 2003.

Table G:

Authorised Limit for External Debt	2016/17 Approved £m	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Borrowing	347	428	469	407	378
Other Long-term Liabilities	63	65	63	61	59
Total	**410**	**493**	**532**	**468**	**437**

9. The Operational Boundary

The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included with the Authorised Limit.

Table H:

Operational Boundary for External Debt	2016/17 Approved £m	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Borrowing	337	418	424	374	357
Other Long-term Liability	58	60	58	56	54
Total	**395**	**478**	**482**	**430**	**411**

The Section 151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any

movement between these separate limits will be reported to the next meeting of the Cabinet.

10. Upper Limits for Fixed Interest Rate Exposure & Variable Rate Exposure

The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

In order to increase the understanding of this indicator, separate upper limits for the percentage of fixed and variable rates are shown for borrowing and investment activity, as well as the net limit.

Table I:

	2016/17 Approved %	2016/17 Revised %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
Lower Limit for Fixed Interest Rate Exposure					
Borrowings	0	0	0	0	0
Investments	0	0	0	0	0
Upper Limit for Fixed Interest Rate Exposure					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
Lower Limit for Variable Interest Rate Exposure					
Borrowings	0	0	0	0	0
Investments	0	0	0	0	0
Upper Limit for Variable Interest Rate Exposure					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100

The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

11. Maturity Structure of Fixed Rate Borrowing

The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to offer flexibility against volatility in interest rates when refinancing maturing debt.

Table J:

Maturity structure of fixed rate borrowing	Lower Limit 2017/18 %	Upper Limit 2017/18 %
Under 12 months	0	80
12 months and within 24 months	0	50
24 months and within 5 years	0	50
5 years and within 10 years	0	50
10 years and over	0	100

12. Upper Limit for Total Principal Sums Invested over 364 Days

The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Table K:

	2016/17 Approved £m	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Upper Limit for total principal sums invested over 364 days	30	30	60	60	60

13. Credit Risk

The Authority considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk. The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

14. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted the principles of best practice.

The Council has previously approved the adoption of the CIPFA Treasury Management Code 2011 Edition.

APPENDIX E

2017/18 MINIMUM REVENUE PROVISION (MRP) STATEMENT

1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's (DCLG) Guidance on Minimum Revenue Provision most recently issued in 2012.

1.2 The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The DCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

1.4 For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £11.5 million. (Option 1 in England & Wales)

1.5 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets using an annuity method (as per Cabinet 19th December 2016, item no.95), starting in the year after the asset becomes operational (Option 3 in England and Wales).

1.6 For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

1.7 The Council, if it considers it prudent for a particular financial year, will set aside capital receipts to be offset by the matching MRP liability amount.

1.8 With regards to loans granted by the Council no MRP will be charged on them. The MRP will be equated to the principal repayment of the individual loans.

1.9 Capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19.

2.0 The MRP Statement will be submitted to Council before the start of the 2017/18 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2017, the budget for MRP has been set as follows:

	31.03.2017 Estimated CFR £m	**2017/18 Estimated MRP £m**
Capital expenditure before 01.04.2008	165.3	6.2
Supported capital expenditure after 31.03.2008	9.7	0.4
Unsupported capital expenditure after 31.03.2008	63.6	3.0
Finance leases and Private Finance Initiative	47.9	2.6
Transferred debt	44.7	4.9
Loans to other bodies	0	0
Total General Fund	**331.2**	**17.1**

APPENDIX F

Arlingclose's Economic and Interest Rate Outlook

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also uncertain, with repercussions for financial market volatility and long-term interest rates. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's election victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.13
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.42
3-month LIBID rate														
Upside risk	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.29
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.36
1-yr LIBID rate														
Upside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.85	0.90	0.90	0.90	0.95	0.68
Downside risk	-0.15	-0.15	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.26
5-yr gilt yield														
Upside risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.60	0.50	0.45	0.45	0.50	0.50	0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.58
Downside risk	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.48
10-yr gilt yield														
Upside risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.05	1.00	0.90	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.03
Downside risk	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.48
20-yr gilt yield														
Upside risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.60	1.55	1.45	1.45	1.50	1.50	1.50	1.55	1.60	1.65	1.70	1.75	1.80	1.58
Downside risk	-0.55	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.58
50-yr gilt yield														
Upside risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.50	1.45	1.35	1.35	1.40	1.40	1.40	1.45	1.50	1.55	1.60	1.65	1.70	1.48
Downside risk	-0.55	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.58

APPENDIX G

AUTHORISED SIGNATORIES

The following officers are authorised to make payments, either via the Council's online banking system or by signing cheques, and issue other instructions relating to Treasury Management transactions on behalf of Wirral Borough Council:

Assistant Director : Finance – Tom Sault

Senior Finance Manager – Peter J. Molyneux

Senior Finance Manager – Jenny Spick

Senior Finance Manager – Andrew Roberts