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WIRRAL

Council
Budget Meeting

Town Hall
Wallasey

14 February 2014

Dear Councillor

You are hereby summoned to attend a meeting of the Council to be held at **6.15 pm on Tuesday, 25 February 2014** in the Council Chamber, within the Town Hall, Wallasey, to take into consideration and determine upon the following subjects :

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AGENDA

1. DECLARATIONS OF INTEREST

Members of the Council are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest, in connection with any matter to be debated or determined at this meeting and, if so, to declare it and state the nature of such interest.

2. MAYOR'S ANNOUNCEMENTS

To receive the Mayor's announcements and any apologies for absence.

3. PETITIONS

To receive petitions submitted in accordance with Standing Order 21.

4. MINUTES (Pages 1 - 18)

To receive as a correct record the minutes of the meeting of the Council held on 16 December, 2013.

5. **MATTERS REQUIRING APPROVAL BY THE COUNCIL (Pages 19 - 206)**

A. Budget Council Procedure

Cabinet – 16 January, 2014
Minute 134 is attached together with appendix 1 to the report.
(Pages 19 - 26)

B. Suspension of Standing Orders of the Council's Constitution

(i) Standing Order 12(1)relates to 'Motions and Amendments' and provides that:

"A motion or amendment shall relate to a recommendation of a committee submitted in accordance with Standing Order 5.2(I), or to a matter referred to in Standing Orders 7 and 8. It shall not be discussed unless it has been proposed and seconded.

The terms of any amendment or notice of motion shall not be varied except with the agreement of the Council."

(ii) Standing Order 12(9) relates to 'Amendments' and provides that:

"Subject to Standing Order 7(5) an amendment to a motion or recommendation of the Cabinet or of a Committee shall be relevant to the motion or recommendation under consideration and shall be either:

(a) to refer or refer back a subject of debate for consideration or reconsideration as the case may be;
(b) to leave out words;
(c) to leave out words and insert or add others;
(d) to insert or add words.

as long as the effect of any amendment is not to negate the motion or recommendation."

(iii) Standing Order 12(10) relates to 'Amendments to be dealt with in order' and provides that:

"Only one amendment may be moved and discussed at a time".

For the purposes of the Budget Debate, Council is requested to suspend:

(a) Standing Orders 12(1) insofar as it relates to amendments;
(b) Standing Order 12(9); and
(c) Standing Order 12(10).

C. Council Budget 2014/15

On a motion by the Leader of the Council, to approve recommendations from the Cabinet meeting held on 12 February, 2014, subject to consideration of any amendments received in accordance with the approved Budget Council Procedure.

If the proposed budget is amended or an alternative budget proposal(s) carried, whether whole or in part, that will be regarded as an in-principle decision, which will automatically come into effect five working days from the date of that decision, unless the Leader of the Council informs the Head of Legal and Member Services in writing within that time that he objects to the decision becoming effective and provides reasons why.

In such circumstances, the Head of Legal and Member Services will call another meeting of the Council within seven working days. The Council will then be required to reconsider its decision, and the Leader of the Council's written submission, at this further Council meeting. (A reserve date of Tuesday, 4 March 2014 has been set aside for considering any written submission by the Leader of the Council, should that be necessary).

At that second meeting the Council can:

(i). accept the Cabinet's recommendation without amendment; or

(ii). approve a different decision which does not accord with the Cabinet's recommendation, by a simple majority of votes cast at the meeting.

The minutes of the Cabinet (Budget Meeting) held on 12 February, 2014 are attached **(pages 27 - 43)** together with the following documents:

- Revenue Budget 2014/17 **(Pages 45 - 88)**
  [Cabinet minute 143 refers]

- Capital Programme and Financing 2014/17 **(Pages 89 - 106)**
  [Cabinet minute 144 refers]

- Medium Term Financial Strategy 2014/17 **(Pages 107 - 184)**
  [Cabinet minute 146 refers]

- Schools Budget 2014/15 **(Pages 185 - 196)**
  [Cabinet minute 147 refers]

- Carbon Budget **(Pages 197 - 206)**
  [Cabinet minute 148 refers]

In accordance with the Budget Council procedure, agreed with the three Party Leaders, any alternative Budget proposals / amendments will be submitted to the Head of Legal and Member Services on or before 12.00noon on Friday, 21 February 2014 and will be circulated in a supplement.

D. Council Tax 2014/15

Report of the Director of Finance on the statutory calculations in respect of setting the Council Tax. (To follow)

E. Policy and Performance Coordinating Committee – Membership

On a recommendation by the Policy and Performance Coordinating Committee made at its meeting on 5 February, 2014, the Council is recommended to:

(1) extend the Membership of the Policy and Performance Co-ordinating Committee to include:

(a) Two Parent Governor Representatives; and

(b) A representative of each of the appropriate Diocesan Authorities;

With voting rights, for the purpose of dealing with educational matters

(2) in order to meet legal requirements when considering educational matters the Council be recommended to co-opt onto the Policy and Performance Co-ordinating Committee:

(a) the following two Parent Governor Representatives, elected to sit on the Council's scrutiny committees that deal with education (with voting rights, in respect of educational matters only)

- Mrs H Shoebridge (until 28 October 2015); and

- Mrs Nicola Smith (until 8 February 2017)

and,

(b) the following two Diocesan Authority representatives (with voting right in respect of educational matters only)

- Damien Cunningham (representing the Roman Catholic Diocese of Shrewsbury); and

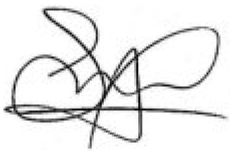
- A representative of the Church of England Diocese of Chester (currently a nomination has not yet been made).

6. VACANCIES

To receive nominations, in accordance with Standing Order 25(6), in respect of any proposed changes in the membership of committees, and to approve nominations for appointments to outside organisations.

7. ANY OTHER BUSINESS

To consider any other items of business that the Mayor accepts as being urgent.



Head of Legal and Member Services

COUNCIL

Monday, 16 December 2013

<u>Present:</u> The Mayor (Councillor Dave Mitchell) in the Chair
Deputy Mayor (Councillor Steve Foulkes)

Councillors	RL Abbey	T Harney	C Povall
	C Blakeley	P Hayes	D Realey
	E Boult	A Hodson	L Rennie
	A Brighouse	K Hodson	D Roberts
	P Brightmore	M Hornby	L Rowlands
	W Clements	M Johnston	J Salter
	A Cox	AER Jones	H Smith
	J Crabtree	C Jones	T Smith
	G Davies	P Kearney	W Smith
	P Davies	S Kelly	J Stapleton
	WJ Davies	B Kenny	M Sullivan
	P Doughty	A Leech	A Sykes
	D Elderton	AR McLachlan	J Walsh
	G Ellis	M McLaughlin	G Watt
	L Fraser	C Meaden	S Whittingham
	P Gilchrist	B Mooney	J Williamson
	P Glasman	S Mountney	I Williams
	JE Green	C Muspratt	KJ Williams
	R Gregson	S Niblock	P Williams
	P Hackett	T Norbury	S Williams
	J Hale	M Patrick	

<u>Apologies</u> Councillor I Lewis

50 DECLARATIONS OF INTEREST

The Members of the Council were invited to consider whether they had any disclosable pecuniary and/or any other relevant interests in connection with any matters to be determined at this meeting and, if so, to declare it and state the nature of such interest.

Councillor L Rennie declared a non-pecuniary interest in agenda item 7 ‘Leader’s, Executive Members and Chairs’ Reports’ in respect of the Cabinet Member for Neighbourhood, Housing and Engagement’s report by virtue of her membership of the Merseyside Fire Support Network.

Responding to questions from some Members, the Head of Legal and Member Services advised Members that with regard to the matter within the budget options minute on Council Tax discount for the over 70s this was not a disclosable pecuniary interest and they could vote on this matter.

51 MAYOR'S ANNOUNCEMENTS

The Mayor referred to the sad news of the recent death of Peter Alexander Wilson, JP, former Conservative Councillor for Heswall Ward 1978-86.

The Council stood in silence, as a mark of respect.

Apologies for absence were received from Councillor Ian Lewis.

The Mayor announced that Christopher Johnston, HM Coroner for Wirral, would be officially retiring on 31 December, 2013 and expressed his thanks on behalf of the Council for his 25 years of service to the Wirral.

The Mayor read out a letter of thanks he had received from the Consulate General of the People’s Republic of China following his recent visit to Wirral.

52 PETITIONS

In accordance with Standing Order 21, the Mayor received petitions submitted by –

Councillor Chris Meaden on behalf of 2000 signatories from the Birkenhead and Wirral Ladies Bowling League regarding the maintenance of bowling greens.

Councillor Moira McLaughlin on behalf of 38 signatories from residents of Alexandra Drive, Rock Ferry, requesting a resident in their road brings their property up to the required standard.

Councillor Stuart Whittingham on behalf of 410 signatories on the Woodchurch Estate requesting various improvements to the road network on the Woodchurch Estate.

Councillor Mike Sullivan on behalf of 30 signatories objecting to the proposed construction of houses on land to the rear of 1 – 4 Mill Road, Thingwall.

Councillor Alan Brighouse, one on behalf of 124 signatories objecting to the transfer of the cost of school crossing patrols to schools and another on behalf of 139 signatories objecting to the cutting of street lighting in Woodchurch Road.

Councillor Mike Hornby on behalf of 68 signatories from Dawpool School objecting to the transfer of the cost of school crossing patrols to schools.

Resolved – That the petitions be noted and referred to the appropriate Chief Officer in accordance with Standing Order 34.

53 PUBLIC QUESTIONS

No questions had been received from members of the public.

54 MINUTES

The minutes of the Council meetings held on 14 October, 12 November and 2 December, 2013 had been circulated to Members and, it was –

Resolved – That the minutes be approved and adopted as a correct record.

55 MATTERS REQUIRING APPROVAL BY THE COUNCIL

In accordance with Standing Order 5(2), four matters were submitted for approval by the Council (see minutes 56 to 59 post).

Prior to consideration of these matters Councillor Blakeley raised the matter of an email which had been sent to all Councillors from the Head of Legal and Member Services regarding the requirements of Section 106 of the Local Government Finance Act 1992 as this notice was only usually sent prior to Budget Council.

In response the Head of Legal and Member Services stated that Section 106 did have a wider application other than at Budget Council and it was appropriate at this time for Members to have been advised of its requirements.

Councillor Gilchrist asked that further information on the matter be provided in writing and suggested that Members should contact the Local Government Association to see what they were advising.

The Leader of the Council then suggested that to enable consideration of the recently circulated Conservative amendments, the meeting should be adjourned for 15 minutes.

The Mayor adjourned the meeting at 6.30pm for 15 minutes

The meeting resumed at 6.45pm

56 **BUDGET OPTIONS**

The first matter requiring approval related to budget options following feedback on the budget consultation and the recommendations from minute 115, Cabinet of 10 December, 2013.

It was moved by Councillor Phil Davies and seconded by Councillor Ann McLachlan –

That the recommendations contained within Cabinet minute 115 of 10 December, 2013 be approved.

It was moved as an amendment by Councillor Gilchrist and seconded by Councillor Brighouse, that –

"*Add to end of paragraph 1 with the following exceptions* -

"Council believes that:

a) The cost of living remains a key factor for Wirral's people and that the Council tax remains a substantial sum for them.

b) Freezing the Council Tax for the financial year 2014/15 needs more detailed consideration once the 'settlement' grant levels and value of the Government's offer of freeze grant are known. It would be unreasonable to turn the grant down yet again if it can be taken.

Council welcomes

- The Cabinet's recognition that the savings in winter gritting, beach cleaning and highway maintenance caused public concern and have been abandoned.

- The rejection of car parking charges in the country parks and coastal areas

Council believes that the following proposals should be abandoned:

1. The suggested saving in Street Lighting (£85k) is not acceptable since the opportunity to invest in more efficient lighting and control systems has not yet been seized.

2. It is unreasonable to shift the cost of School Crossing Patrols (£415k) to the schools own budgets which are there for education, not for the Council to take.

Council recognises the assurances given to the Policy and Performance Committees about the ability to achieve the savings. However, in the case of the Children's Centres, wishes further detailed information to be given on the programme of services so that Members can be clear that the continuing needs are met.

Council endorses the desire for fair funding expressed in Clause 3. However, Council believes that Wirral's case is not strengthened by comparisons with North Dorset, a small district Council with a budget of around £8m, where spending on all services is less than the financial support given to Wirral's sport and leisure centres.

Council asks Cabinet when drawing up the capital programme for 2014/15 for consideration in February to ensure resources are made available to invest in:

- 20mph zones in residential areas
- Enhanced highway maintenance works
- Energy efficiency schemes including street lighting

Delete paragraph 2(b)(ii) and insert:

2(b)(ii) The final payment using the statutory calculation (at a capped salary level) will be multiplied by 1.2 to a maximum of 36 weeks. Council recognises that the effects of this will need to be properly taken into account in the preparation of future budgets."

Before the amendment was debated, Councillor Green suggested that Standing Order 12 (10) be suspended in order that two amendments could be debated together with a vote on each at the end of the two debates.

Resolved – That Standing Order 12 (10) be suspended for the duration of this item.

It was then moved as an amendment by Councillor Green and seconded by Councillor Rennie, that –

"Council notes:

1. £295.51 is a vast increase in the cost of living for the hardworking people of Wirral and this increase is due to Labour approved, locally determined measures.
2. the Administration is now proposing a further 2% increase in Council Tax and the cutting or removal of Pensioners' discount.
3. that the proposals before us tonight will heap yet more Labour approved, locally determined extra costs, burdens and misery on Wirral residents.

Council further notes that the Council's 'transformational projects' which the Administration is relying upon for considerable savings appear to be uncontrolled and lacking in anything that could be described as a project plan.

Council is concerned that the current approach to projects and programmes is expected to deliver over £5 million worth of savings but the method of delivery outlined can at best only be described as aspirational.

Council therefore calls on the Administration to produce the business cases, project initiation documents and project plans required to give Council confidence that this much vaunted Council 'transformational programmes and projects' will be successfully delivered.

Council therefore rejects the Administration's recommendations before us and refers them back to Cabinet to take appropriate action to remove those elements they have included that increase the cost of living burden on hard working Wirral people."

Following a debate on both amendments and Councillor Phil Davies having replied, the amendment proposed by Councillor Gilchrist was put and lost (5:58) (One abstention).

The amendment proposed by Councillor Green was then put and lost (26:37) (One abstention).

There being no further amendments, the substantive motion was put and carried (37:26) (One abstention)

Resolved (37:26) (One abstention) - That the recommendations contained within Cabinet minute 115 of 10 December, 2013, be approved.

57 **COUNCIL TAX BASE INFORMATION**

The second matter requiring approval related to the Council Tax Base and the recommendations of minute 117 of Cabinet, 10 December, 2013.

It was moved by Councillor Phil Davies and seconded by Councillor Ann McLachlan –

That the recommendations contained within Cabinet minute 117 of 10 December, 2013 be approved.

It was moved as an amendment by Councillor Green and seconded by Councillor Rennie, that –

"*Delete paragraph 4 of part (2) of the recommendation and replace with:*

That the current Pensioner Household discount be maintained at 7.76% for those households where all residents are aged 70 or over."

The amendment was put and lost (21:42) (One abstention).

The motion was put and carried (42:21) (One abstention).

Resolved (42:21) (One abstention) - That the recommendations contained within Cabinet minute 117 of 10 December, 2013 be approved.

58 REPORT OF THE INDEPENDENT REMUNERATION PANEL ON MEMBERS' ALLOWANCES

The third matter requiring approval related to the report of the Independent Panel on Members' Allowances and its recommendations from its meeting on 7 October, 2013.

On a motion by Councillor Phil Davies, seconded by Councillor Ann McLachlan, it was –

Resolved (unanimously) - That the recommendations contained within the Independent Panel on Members' Allowances report from its meeting on 7 October, 2013, be approved.

59 REVISIONS TO THE COUNCIL'S CONSTITUTION

The fourth matter requiring approval related to revisions to the Council's Constitution and part two (Schedule 2) of the recommendations of minute 8 of the Standards and Constitutional Oversight Committee of 26 November, 2013.

The Leader of the Council stated that he was mindful of the concerns expressed in amendments which had been circulated by both the Conservative and Liberal Democrat Groups and he was happy for these matters to be looked at again. A draft questionnaire was currently being prepared to survey all Members and it was likely that a special meeting of the Standards and Constitutional Oversight Committee would need to meet in the New Year to approve the contents of the survey before it was circulated to all Members.

On amendments moved by Councillors Gilchrist and Fraser, seconded respectively by Councillors Harney and Blakeley, it was –

Resolved (unanimously) –

Council considers that it is not in a position to accept the amendments suggested in Schedule 2.

The schedule of items set out on pages 45-49 of the Summons fails to clarify the concerns raised at the meeting of the Standards and Constitutional Oversight Committee held on 26 November.

Given the confusion and conflicting opinions expressed and evident at that meeting, Council believes that the matter be deferred. In order to restore confidence in the process, all Members should have full opportunity to see and consider the changes set out more clearly. There has to be ample time for further study and potential agreement.

To aid this consideration, the various issues shall be set out on these suggested lines:

(i) The original wording, with the full paragraph;
(ii) The wording that is the subject of suggested change;
(iii)The revised wording in context;
(iv) A reasoned argument setting out the background and comment explaining the proposed change.

Individual Members should be invited to comment by a date to be agreed so that their views on the issues can be considered at the next meeting of the Committee on 5 February 2014.

That the date for consulting with Members on potential changes to the Constitution as indicated in the report from the Cabinet Member for Governance is moved from 18 December 2013 to 7 January 2014 to commence 13 January 2014 and end 24 January 2014 to give Members more time to input any suggestions in revising the Constitution.

60 **LEADER'S, EXECUTIVE MEMBERS' AND CHAIRS' REPORTS**

The Leader of the Council presented his summary report upon matters relevant to his portfolio. He responded to questions from Councillor Green, Glasman, Stapleton, Johnston and Blakeley and made a number of comments including –

- He would need to take legal advice on the matter raised by Councillor Green as he was not in a position to comment on unsubstantiated rumours and he would write to Councillor Green with a response.
(Subsequent to the meeting the Leader had responded to this question in writing, this response had been circulated to all Members and was appended to these minutes).
- The Leader joined in congratulating staff of the Merseyside Pension Fund for their Local Government Chronicle Best Environmentally Sustainable Investment Award. It was the latest in a long line of awards won by the MPF. He thanked Councillor Glasman for the excellent way in which she was steering the Pensions Committee.

- He concurred that the SIGOMA figures were shocking and did illustrate the disparity in the effect of cuts in different parts of the country. He quoted the instance of Birmingham City Council having to save £840m between 2010 and 2018.
- He stated that the scrutiny review, which reported in April, 2013 had made 18 recommendations in respect of welfare reforms. The Cabinet had received the report in June and agreed with the recommendations. The Scrutiny Committee had asked for a further report and this would be provided in Spring 2014. He praised Councillors Gilchrist and Lewis for their work on how to assist those affected by the “bedroom tax” and a further meeting would be taking place later in the week at which it was hoped to agree an action plan. It was important that scrutiny recommendations were tracked and to make sure that the Council did not lose sight of the recommendations in the review.
- He commented that it was good practice in local government to lend to other Councils, at preferential interest rates and that Wirral was not alone in doing this. Wirral had made money from these arrangements and had been complimented in the Municipal Journal.

Resolved – That the report of Councillor Phil Davies be noted.

Questions were then invited for Councillor Chris Jones on her report. No questions were posed, and it was then –

Resolved – That the report of Councillor Chris Jones be noted.

Questions were then invited for Councillor Adrian Jones on his report and he responded to questions from Councillors Brightmore, Leech, Williamson and Norbury. A question from Councillor Watts was ruled out of order by the Mayor as it did not relate to the contents of Councillor Jones’ report. His responses included the following comments:

- He referred to item 4 of his summary report, ‘Human Resources and Organisational Development Update’ and asked that the Council note a correction in that, ‘The Council…. reducing its workforce by nearly 25% in the past year’, should read, ‘…. by nearly 25% in the past three years’.
- He stated that, in 2010, Labour had voted for the Council’s ICT to be refreshed but the then incoming administration had done nothing to progress this. Since then, several senior staff, including the Head of ICT, had left the Council. Microsoft were withdrawing support for XP and the Windows 7 rollout would now proceed.
- The power outage a few months ago had left IT equipment disabled. Scottish Power had assured the Council it was most unlikely there would be a similar occurrence in the future. Elected Members would have their IT equipment replaced in the near future.
- No advice had been received from the Conservative and Liberal Democrat Groups to help with the impact of Welfare Reform.

- He stated that Wirral had long recognised the value of collective bargaining and the importance of paid elected representatives for Trades Unions relations commensurate with the reduced size of the workforce. The Council would continue to negotiate with the trade unions because it was the sensible approach.
- He commented upon the example of a local man who had fallen foul of the "Bedroom Tax", and over the man's experience of ATOS. The man had experienced extreme hardship due to illness. ATOS had examined him and judged that he was a "fit and agile young man". Although the man had gone to hospital and had been in intensive care with a serious condition.
- He stated that he could not respond to Councillor Watt although he praised council staff for all their hard work during and following the recent storm and the flooding which had occurred in New Brighton, Hoylake and West Kirby.

Resolved – That the report of Councillor Adrian Jones be noted.

Questions were then invited for Councillor Tony Smith on his report and his responses to questions from Councillors Clements, Doughty, Kelly and Whittingham included the following comments:

- He stated that he was delighted with the extra funding of £43m between 2011-2015 from the Pupil Premium which was an outstanding success. The money was ringfenced but differed from how local government had been treated and that was why schools were being asked to help in funding schools' crossing patrols.
- The Youth Voice conference theme this year had been "respect" and he thanked Councillor Gilchrist and John Martin, of Merseyside Police for their attendance and the 71 young people who had attended. 49 young people had attended the Youth Parliament from 8 secondary schools and 7 youth groups. The "What Really Matters" consultation had seen extensive youth involvement, via schools, teenwirral.com website, various youth agencies, focus groups and the Children in Care Council. He praised officers for their work.
- With regard to the Youth Zone in Birkenhead he wanted young people to have all the facts as not all the information had been available at the time of the Youth Parliament. No satellite Youth Hubs would close and he invited young people to look at the Youth Hubs. He had also spoken to Merseytravel regarding travel to the Youth Zone in Birkenhead and he believed this would be a fantastic facility.
- He stated that the Wirral Youth Offending Service had been inspected between 13 September and 2 October, regarding the quality and effectiveness of casework. Overall the inspectorate had found a very positive picture; the previous inspection 4 years ago had called for substantial improvement. He congratulated all staff involved in this area.

The Mayor also joined in praise for the Youth Parliament and for all those who had taken part.

Resolved – That the report of Councillor Tony Smith be noted.

Questions were then invited for Councillor Pat Hackett on his report and his responses to questions from Councillors Fraser, Hale, Gregson, Blakeley and Glasman included the following comments:

- He stated that experts had concluded that there was not much wrong with the sea defences and the recent storms had not deterred investors, businesses in New Brighton had reopened in record time. The Marine Point development was now at 92% occupancy with 950 jobs having been created for local people. He had been misquoted in the newspaper with regard to the dips and what he had said was that additional parking would be required along the railway embankment near to Smugglers Way.
- The procurement process had begun for the proposed Hoylake Golf Resort development. The land for the resort was close to Royal Liverpool Golf Club. A shortlist of possible developers was being created and he was confident that a top class golf resort would be delivered.
- He stated that all constituencies would be involved in the International Festival of Business and a report would be coming to Cabinet.
- The Mersey Dee Alliance had identified strategic transport issues as key priorities. The Borderlands Railway was the most important priority for the Council.

Resolved – That the report of Councillor Pat Hackett be noted.

Questions were then invited for Councillor Brian Kenny on his report and his responses to questions from Councillors Bill Davies, Sullivan, Gilchrist, Blakeley and Walter Smith included the following comments:

- He stated that there had been lots of complaints regarding dumping of waste in alleyways. There was a need to educate people about the effects on their neighbourhoods and the "Love Wirral" campaign was aimed at getting this message across. A report would be taken to Cabinet in the New Year on the issue and a pilot scheme would be set up in two or three areas to try and resolve this.
- Since the introduction of the garden waste charge the amount of fly tipping had actually fallen.
- The amount of complaints regarding leaves on pavements and roads was less than in previous years and he would be happy to circulate a breakdown on these figures to all Members.
- He stated that a balance between encouraging business and health and safety was required in respect of the new byelaws for skin piercing activities.

- He was pleased with the successful home composting promotion so far, with over 500 bins having been bought in recent weeks and he would encourage as many people as possible to home compost.

Resolved – That the report of Councillor Brian Kenny be noted.

Questions were then invited for Councillor Ann McLachlan on her report and her response to a question from Councillor Mooney included the following comments:

- The Improvement Board would come back in March 2014 and a series of “Next Steps” had been set out by the Board. The Council would continue to maintain progress particularly regarding finance and encouraging the change in culture. The Council would continue to look outward and be a learning organisation keeping up the pace of delivery. She looked forward to the Constitution review early in the New Year.

Resolved – That the report of Councillor Ann McLachlan be noted.

Questions were then invited for Councillor Chris Meaden on her report and her responses to questions from Councillors Brighouse, Cox, Elderton, Hodson and Mooney included the following comments:

- The process with regard to greater community involvement in the Williamson Art Galley was complex and involved and yes she would look at other ways to achieve the saving, if required.
- There were no plans to close the Frankby Cemetery site office.
- With regard to the Wirral Transport Museum and tramway the final business plan was awaited and she would let everyone know the outcome of this.
- The NHS had no funding left to roll out to West Wirral the placement of outdoor fitness equipment in parks.
- She outlined a range of diverse options with regard to dealing with people with drug and alcohol problems and reported that she had recently attended an excellent Alcohol Recovery Day.

Resolved – That the report of Councillor Chris Meaden be noted.

Questions were then invited for Councillor Harry Smith on his report and his response to a question from Councillor Hornby included the following comment:

- He stated that the Christmas tree lighting programme was not part of his portfolio and had been decided at area level for a number for a number of years now. Constituency Committees could allocate funds in future years or they could appeal to local businesses to help with funding.

Resolved – That the report of Councillor Harry Smith be noted.

Questions were then invited for Councillor George Davies on his report and his response to a question from Councillor Blakeley included the following comment:

- The New Homes Bonus of £1.76m from the Government was welcomed and although the money was not ringfenced his view was that the money should always be used to ensure Wirral could develop and build more homes.

Resolved – That the report of Councillor George Davies be noted.

Questions were then invited for the Policy and Performance Committee Chairs, Councillors Whittingham, Clements, and Brighouse on their report. No questions were posed and it was then –

Resolved – That the report of the Policy and Performance Committee Chairs be noted.

61 MATTERS FOR NOTING

On a motion by Councillor Phil Davies, seconded by Councillor McLachlan, it was –

Resolved – That minutes 67 and 68 (Cabinet – 10 October 2013) – Financial Monitoring 2013/2014, and minute 85 (Cabinet – 7 November 2013) – Financial Monitoring 2013/2014 be noted.

62 MEMBERS' QUESTIONS

In accordance with Standing Order 10 (2)(b), notice had been given of a question from Councillor Stuart Kelly to the Leader of the Council in respect of Collective Energy Switching.

Councillor Phil Davies responded accordingly.

63 MATTERS REFERRED FROM POLICY AND PERFORMANCE COMMITTEES

No matters had been referred from Policy and Performance Committees.

64 NOTICES OF MOTION

Notices of Motion submitted in accordance with Standing Order 7(1) were reported to the Council. The Mayor, having considered each Motion, in accordance with Standing Order 7(4) had decided that the Motions would be dealt with as follows –

(i) Wirral Council Improvement Board - to be debated
(ii) Local Government Declaration on Tobacco Control – to be referred to the Families and Wellbeing Policy and Performance Committee
(iii) Wirral Labour's Cost Of Living Rises - to be debated

Resolved – That the Notice of Motion, 'Local Government Declaration on Tobacco Control, be referred to the Families and Wellbeing Policy and Performance Committee.

65 **MOTION - WIRRAL COUNCIL IMPROVEMENT BOARD**

Proposed by Councillor Ann McLachlan
Seconded by Councillor Phil Davies

(1) Council welcomes the decision by the Improvement Board at its meeting held on 29th November, that Wirral has now reached a position where we can manage our own improvement process.

(2) We are proud of what has been the quickest improvement of any Council in the country. However we recognise that there is still a great deal left to do and we are not complacent.

(3) We remain committed to working with all Councillors, staff, partners and residents to continue our Improvement Journey towards becoming the outstanding Council we aspire to be.

(4) Council would want to thank all employees of the Authority who have contributed to the enormous amount of work involved in addressing the priority areas set by the Board and who are now diligently working to continue our progress towards a transformed Authority. Further, that all elected Members will continue to be fully engaged via the Policy and Performance Committees and future Visioning events.

(5) Council would like to record our thanks to Joyce Redfearn, Chair of the Improvement Board and other Members of the Board for the hard work, commitment and support that they have provided over the past twenty months.

An amendment which had been circulated in advance of the meeting was submitted in accordance with Standing Order 12(1) and (9), as follows:

Proposed by Councillor Phil Gilchrist
Seconded by Councillor Pat Williams

“Delete paragraph (2) and replace with:

We note the improvements that have been achieved. However, we recognise that there is still a great deal left to do and we are not complacent. The Improvement Board remained of the view that *‘there is still significant risk going forward’* (para 198) and that their Chair was clear that the Council…*must now maintain this momentum and focus on making continued improvements*.”.

In particular, paragraph 166 of the Report stated that “*embedding the culture is vitally important”* and that the Board felt “T*here is still a residual sense that some members are unwilling to embrace change.”*

Delete from paragraph 4:

‘Further, that all elected Members will continue to be fully engaged via the Policy and Performance Committees and future Visioning events.’

Insert new paragraph (5):

It is important that Members, regardless of their status, experience or party, are enabled to influence decisions and develop policy in a way that works to the benefit of the people of Wirral. This must include timely access to information, the distribution of supporting papers in good time and structures that ensure sufficient opportunity for discussion and debate.

Renumber original para (5) as para (6).”

It was then agreed that Standing Order 9 be suspended and only the movers and seconders of the first motion be invited to speak prior to the remaining business being disposed of by being formally moved and seconded and put to the vote.

The Mayor then requested the movers of the motion and amendment to speak to their proposals followed by the seconders. Councillor McLachlan having waived her right of reply, the amendment was then put and lost (26:37) (One abstention).

The motion was put and carried (37:26) (One abstention).

Resolved (37:26) (One abstention) -

(1) Council welcomes the decision by the Improvement Board at its meeting held on 29th November, that Wirral has now reached a position where we can manage our own improvement process.

(2) We are proud of what has been the quickest improvement of any Council in the country. However we recognise that there is still a great deal left to do and we are not complacent.

(3) We remain committed to working with all Councillors, staff, partners and residents to continue our Improvement Journey towards becoming the outstanding Council we aspire to be.

(4) Council would want to thank all employees of the Authority who have contributed to the enormous amount of work involved in addressing the priority areas set by the Board and who are now diligently working to continue our progress towards a transformed Authority. Further, that all elected Members will continue to be fully engaged via the Policy and Performance Committees and future Visioning events.

(5) Council would like to record our thanks to Joyce Redfearn, Chair of the Improvement Board and other Members of the Board for the hard work, commitment and support that they have provided over the past twenty months.

66 **MOTION - WIRRAL LABOUR'S COST OF LIVING RISES**

Proposed by Councillor Jeff Green
Seconded by Councillor Adam Sykes

Council notes that this Labour administration has presided over a series of astronomical cost of living increases including:

1. the raising of Council Tax and the rejection of £1.3 million of Government money to freeze Council Tax;
2. a 900% increase in charges for car parking in parts of the Borough with the standardisation of hourly tariffs and the abolition of the Free after 3pm scheme;
3. the introduction of a Brown Bin Tax;
4. an inflation busting 33% increase in the charge of the ERIC service

Council further notes that in total these Labour approved, locally determined measures have resulted in a whacking 624% increase in the cost of living for Wirral residents since 2011-2012.

Council is therefore shocked that Wirral’s Labour Councillors will again be rejecting Government money to freeze Council Tax in 2014 -2015.

Council calls on Labour Councillors to accept responsibility for their decisions, change direction and put the reduction of the cost of living for hard pressed Wirral residents at the centre of their plans.

Having applied the guillotine in accordance with Standing Order 9 the Council did not debate this matter.

The motion was put and lost (21:37) (One abstention).

67 **VACANCIES**

Resolved – That the appointment of Mr Damian Cunningham as the Roman Catholic Diocesan representative (as from 1 January, 2014) on the Families and Wellbeing Policy and Performance Committee, be noted.

APPENDIX TO MINUTE 60 - Letter of response from the Leader of the Council to Councillor Green

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CABINET – 16 JANUARY 2014

134 BUDGET COUNCIL PROCEDURE

The report, of the Strategic Director of Transformation and Resources, proposed a procedure for the Budget meeting of the Council on 25 February this year. The procedure had been prepared following consultation with all three Political Group Leaders.

RESOLVED: That Cabinet

(1) approves the Budget Council procedure as set out in Appendix 1 to the report;

(2) recommends to the Council the adoption of the Budget Council Procedure set out in Appendix 1 of the report.

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BUDGET COUNCIL PROCEDURE

COUNCIL
25 February 2014

1. Mayor's Announcements

2. Declarations of Interest / Restrictions on voting

3. Petitions

Note: if a petition relates to the setting of the Budget, the member who presents it should be given the opportunity during the main debate to speak about it, in order that the Council can take account of it in that context.

4. Matters requiring approval by the Council

A. Recommendation from Cabinet at its meeting held on 16 January 2014 – Budget Council Procedure

(Cabinet Minute 134)

Council is requested to approve the Council Budget Procedure.

B. Suspension of Standing Orders of the Council's Constitution

(i) Standing Order 12(1)relates to 'Motions and Amendments' and provides that:

"A motion or amendment shall relate to a recommendation of a committee submitted in accordance with Standing Order 5.2(l), or to a matter referred to in Standing Orders 7 and 8. It shall not be discussed unless it has been proposed and seconded.

The terms of any amendment or notice of motion shall not be varied except with the agreement of the Council."

(ii) Standing Order 12(9) relates to 'Amendments' and provides that:

"Subject to Standing Order 7(5) an amendment to a motion or recommendation of the Cabinet or of a Committee shall be relevant to the motion or recommendation under consideration and shall be either

(a) to refer or refer back a subject of debate for consideration or reconsideration as the case may be;
(b) to leave out words;
(c) to leave out words and insert or add others;
(d) to insert or add words.

as long as the effect of any amendment is not to negate the motion or recommendation."

(iii) Standing Order 12(10) relates to 'Amendments to be dealt with in order' and provides that:

"Only one amendment may be moved and discussed at a time".

For the purposes of the Budget Debate, Council is requested to suspend:

(a) Standing Orders 12(1) insofar as it relates to amendments;
(b) Standing Order 12(9); and
(c) Standing Order 12(10).

C. COUNCIL BUDGET

The Budget Debate will only consider:

(i) the Cabinet's Budget Minute, which shall include any additional paragraphs/ recommendations (e.g. those relating to precepts), together with any other minutes from the Cabinet meeting on 12 February 2014 that require approval by the Council; and

(ii) any Alternative Budget Proposal(s)/Amendment to the Cabinet's Budget Minute referred to above lodged with the Head of Legal & Member Services on or before **12.00noon on Friday, 21 February 2014**.

Budget Debate Process

1. Cabinet Minute

a. The Cabinet's Budget Minute referred to at 4C(i) above is formally moved by the Leader of the Council.

b. The Cabinet's Budget Minute is formally seconded.

2. Alternative Budget Proposal(s)/Amendments

a. The Mayor will advise Council that Alternative Budget Proposal(s)/Amendments (submitted in accordance with 4C(ii) above) are to be proposed in relation to the Cabinet's Budget Minute by both the other two Political Group Leaders.

First Alternative Budget Proposal(s)/Amendment

b. The Mayor will invite the Group Leader of the largest opposition political group to first propose his Alternative Budget Proposal(s)/Amendment.

c. The Group Leader of the largest opposition political group formally moves his Alternative Budget Proposal(s)/Amendment.

d. The Alternative Budget Proposal(s)/Amendment is formally seconded.

Second Alternative Budget Proposal(s)/Amendment

e. The Mayor will invite the Group Leader of the other opposition political group to propose his Alternative Budget Proposal(s)/Amendment.

f. The Group Leader of the other opposition political group formally moves his Alternative Budget Proposal(s)/Amendment.

g. The Alternative Budget Proposal(s)/Amendment is formally seconded.

3. Debating and Voting

The Cabinet's Minute and Alternative Budget Proposal(s)/Amendments are debated together (in accordance with the Rules of Debate set out below) and a vote then taken on each of the Alternative Budget Proposal(s)/Amendment.

Order of Speakers

a. The Leader of the Council will speak to the Cabinet Budget Minute.

b. The Group Leader will speak to the First Alternative Budget Proposal(s)/Amendment.

c. The Group Leader will speak to the Second Alternative Budget Proposal(s)/Amendment.

d. Other members wishing to speak shall indicate to the Mayor who will call them to speak in the order determined by the Mayor.

e. The budget debate shall end with the Seconders, **unless** they have spoken earlier, followed by Rights of Reply (see below).

Right of Reply

f. The Proposer of the Second Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply.

g. The Proposer of the First Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply.

h. The Leader of the Council will be invited to exercise his right of reply.

Speakers

Speakers will be allocated the following time:

The Leader of the Council speaking to the Cabinet's Budget Minute	15 minutes
The Leader of the Council – right of reply	5 minutes
The Group Leaders of the opposition political groups speaking to their respective Alternative Budget Proposal(s)/Amendment	15 minutes
The Group Leaders of the opposition political groups – right of reply	5 minutes

The Portfolio Holder for Children’s Services (by virtue of speaking on the Schools’ Budget element)	7 minutes
The Seconder of the Cabinet’s Budget proposal	7 minutes
Seconder of the Opposition Alternative Budget Proposal(s)/Amendment	7 minutes
Other speakers	3 minutes

(For the avoidance of any doubt the times mentioned in the table above shall not affect the Mayor’s discretion to permit a speaker to speak beyond the allotted time).

4. Voting

The order of voting shall be as follows:

a. Second Alternative Budget Proposal(s)/Amendment

A vote will be taken on the Second Alternative Budget Proposal(s)/Amendment.

b. First Alternative Budget Proposal(s)/Amendment

A vote will be taken on the First Alternative Budget Proposal(s)/Amendment.

5. Budget Decision

a. Decision (if all Alternative Budget Proposal(s)/Amendments fall)

If the Alternative Budget Proposal(s)/Amendments to the Cabinet’s Budget Minute fall, the Cabinet’s Budget Minute will be **taken as approved, without the need for any further vote**.

b. Decision (if an Alternative Budget Proposal(s)/Amendment is carried)

If the Cabinet’s Budget Minute is amended or an Alternative Budget Proposal(s) carried, whether whole or in part, that will be regarded as an in-principle decision, which will automatically come into effect five working days from the date of that decision, ***unless*** the Leader of the Council informs the Head of Legal & Member Services in writing within that time that he objects to the decision becoming effective and provides reasons why.

In such circumstances, the Head of Legal & Member Services will call another meeting of the Council within seven working days. The Council will then be required to reconsider its decision, and the Leader of the Council's written submission, at this further Council meeting. (A reserve date of ***Tuesday, 4 March 2014*** has been set aside for considering any written submission by the Leader of the Council, should that be necessary).

At that this meeting the Council can:

(i) accept the Cabinet Budget Minute (without amendment); or

(ii) approve a different decision that does not accord with the Cabinet Budget Minute, by a simple majority of votes cast at the meeting.

D. Other Amendments

The Council will then debate, in the normal manner, any amendments to other minutes (if any) that are subject to Council approval.

6. Vacancies

7. Any other business

CABINET

Wednesday, 12 February 2014

Present:	Councillor	P Davies (Chair)	Finance
	Councillors	G Davies	Neighbourhoods, Housing & Engagement
		P Hackett	Economy
		AER Jones	Central and Support Services
		C Jones	Adult Social Care
		B Kenny	Environment and Sustainability
		AR McLachlan	Governance and Improvement
		C Meaden	Health and Wellbeing
		H Smith	Highways and Transportation
		T Smith	Children and Family Services

141 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Members of the Cabinet were asked to consider whether they had any disclosable pecuniary or non pecuniary interests in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

All Members of the Cabinet declared their personal interest in agenda item 7 – Schools Budget 2014/2015 (see minute 147 post) by virtue of their membership of various schools governing bodies.

142 **MINUTES**

Resolved – That the minutes of the meeting held on 16 January 2014 be approved

143 **REVENUE BUDGET 2014/2017**

A report of the Director of Resources presented the proposed Budget for 2014/2015 and the projections for 2015/2016 and 2016/2017. It indicated that Budget Council was scheduled for 25 February 2014 and the Council had to agree a Budget and set the level of Council Tax for 2014/2015 by 10 March 2014. The Budget Projections 2014/2017 report considered by the Cabinet on 10 December 2013 (minute 114 refers) had set the context in which budget decisions were being made and had indicated a forecast net funding available over the three year period of £780m against a current net spend forecast of £863m – a funding deficit of £83m.

The report highlighted the key issues and the following documents were appended to it –

- **Appendix 1A Savings Agreed 2014/2017 – March 2013**
  Savings approved by the Council in March 2013 as part of the 2013/2014 budget, which impacted into future financial years.

- **Appendix 1B Savings Agreed 2014/2017 – December 2013**
  Savings approved by the Council in December 2013, following the 'What Really Matters?' consultation programme.

- **Appendix 2 Growth Submissions 2014/2017**
  Growth bids that had been approved by the Council, where increased demand was placing uncontrollable pressure on safeguarding services for Adult's and Children's Services and other services where the Council had a contractual obligation to fulfil.

- **Appendix 3 Fees and Charges**
  A Directory of Fees and Charges, with a recommendation that Delegated Authority be given to the Director of Resources to update the Directory as charges were finalised, prior to publication before 1 April 2014.

- **Appendix 4 Level of General Fund Balances**
  The level of General Fund Balances the Council maintained and the risk based assessment used to determine that the level was sufficient to provide a financial reserve for unanticipated expenditure and/or expenditure that was of an unforeseen emergency nature.

- **Appendix 5 Reserves**
  A mid-year review of the amounts held in balances, provisions and reserves, which recommended the release to the General Fund balance of those provisions and reserves no longer required.

- **Appendix 6 Robustness of the Estimates**
  The report, under Section 25 of the Local Government Act 2003, of the Chief Financial Officer (Director of Resources) 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.

The report set out the Budget assumptions for growth in the levies, highlighted the increased costs of the Merseyside Pension Fund and indicated that the Council Tax Base for use in 2014/2015 had been agreed by the Cabinet on 10 December 2013 (minute 117 refers) and approved by the Council 16 December 2013 (minute 57 refers). It referred also to the new Local Government Finance System introduced on 1 April 2013, under which billing authorities retained a proportion of locally raised business rates. However, as the complexity and volatility of business rates brought increased risk, any surplus arising from Business Rates from 2013/2014 would be held in a General Fund reserve, which could then be used to meet any potential deficit from the Collection Fund. As the initial year had yet to conclude, a similar approach would be followed for 2014/2015 – any surplus/deficit to be considered as part of the Collection Fund report in January 2015.

Councillor Phil Davies highlighted the issues and recommendations detailed in the Director's report, which contributed to enabling the Cabinet to be in a position to recommend a Budget proposal. He introduced the Budget proposal and the following resolution was moved, which was seconded by Councillor Ann McLachlan and agreed unanimously –

Resolved –

(1) That the savings 2014/2017, set out at Appendices A1 and A2 be confirmed.

(2) That the Budget Growth 2014/2017, set out in Appendix 2 be agreed and the detail be built into the Budget.

(3) That the fees and charges be noted and delegated authority be given to the Director of Resources to update the Council Fees and Charges Directory prior to publication before 1 April 2014.

(4) That 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 and that the Council maintains balances at, or above, this level.

(5) That the release of Provisions and Reserves by Directorates be agreed and that a Remodelling/Restructure reserve be created from the reserves released together with the amalgamation of the Budget Support 2014/2015 and Equal Pay reserves.

(6) That the Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves (Appendix 6) be noted.

(7) That the following Budget Resolution be agreed and recommended to the Council:

BUDGET RESOLUTION 2014/2015

National Context

Wirral Council continues to face unprecedented cuts in its budget by central government. By the end of 2016 the Council's main revenue grant will have been cut by over 50% since 2010. At the same time, we are facing increasing demand for services such as social care and residents are being hit by the government's decision to cut welfare benefits, introduce iniquitous measures such as the Bedroom Tax, and allow energy companies to impose huge increases in energy prices. To make matters worse, since May 2010 prices have risen faster than wages. As a result, real wages have fallen by £1,600 since the last election. This amounts to a cost of living crisis for people in Wirral and across the country.

Whilst it is accepted that measures are required to control the national debt, it cannot be fair or equitable that the government has forced through massive cuts to local government funding in areas with the highest levels of deprivation.

A recent, in depth analysis by the Joseph Rowntree Foundation entitled "Austerity" concludes that:

"Cuts in spending power and budgeted spend are systematically greater in more deprived local authorities than in more affluent ones, …. cuts are also generally greater in the North and Midlands than in the south of England, and in the west rather than the east of Scotland.

***Reductions in spending tell only part of the story as authorities also have to cope with rising costs and demands*."**

Wirral Challenge

Cabinet believes that the scale of cuts required by Wirral Council is not sustainable and reflects no consideration of true need. Authorities with a large proportion of band A to C properties are unfairly disadvantaged by grant reductions as a higher proportion of their income comes from central government compared to those with a high number of band H properties.

Wirral is estimated to lose £627 per person by 2017/2018 compared to those in the South East, where Councils lose £305 per person. A disturbing comparator is the reduction in spending power for Wirral compared to the local authority of the Chancellor of the Exchequer, George Osborne – the very person imposing these swingeing cuts. Based on the spending power figures published by DCLG, whilst Wirral lose 4.2 percent in 2014/2015 and 3.3 percent in 2015/2016; Cheshire East lose 1.7 percent and gain 0.8 percent over the same period. It also cannot be fair that Wirral has lost £152 per person compared to just £2 per head in wealthy North Dorset.

We will continue to lobby government in the strongest possible terms to reverse these disgraceful policies and deliberate targeting of poorer areas.

Our budget gap in the Medium Term Financial Strategy published in March 2013 highlighted a figure of £109 million over the three years to 2016/2017. We are a responsible Administration and have risen to this challenge in the best interests of our residents. To refuse to make the savings forced upon us would be to the longer term disadvantage of our most vulnerable people. Our hard work in identifying savings which protect front-line services as far as possible means this gap is now down to £44.2 million over the next two years following this budget (2015/16 – 17). In December 2013 we agreed a series of savings amounting to £27.5 million to close the gap for 2014/2015. We now have before us the full suite of budget papers to enable us to agree Council Tax and set a balanced budget.

OVERALL COMMENTS

Cabinet is proud of the fact that this Administration has progressed from a situation where we inherited an overspend of £17 million, to a stable, achievable in-year budget.

Link to Strategic Priorities

The 2014/2015 budget has been strongly influenced by the strategic priorities as set out in the new Corporate Plan agreed by Council on 2 December 2013:

- **Attracting investment and jobs**
- **Protecting vulnerable people and communities**
- **Narrowing the gap in inequalities**

Guiding Principles

Our guiding principles for setting the budget have been consistent over the past two years, i.e.

- **We will spend less on the cost of running the Council**
- **Those with the broadest shoulders must bear the greatest burden**
- **Every effort will be made to mitigate the impact of savings on front-line services**

The reports submitted to Cabinet and Council in December 2013 contain the base information for this budget resolution. We agreed the savings in December 2013 and we demonstrated that, despite having to make some difficult decisions, we did listen to the views of the public via the 'What Really Matters' consultation exercise on our budget options, one of the largest consultation exercises in the country.

The key measures we announced in December included the following –

Protecting the vulnerable and Reducing Inequality

- **£7.6 million over the next three years to be spent on a range of measures to support older people, young people with learning disabilities and adopters and special guardians**

- **£1m over the next two years to be spent on enhancing early intervention and prevention services**

- **To progress from being a Living Wage Council to a Living Wage Borough**

Responding to the Cost of Living Crisis

- **The vast majority of our older residents will continue to receive a discount on their Council Tax. This will equate to 5% and will apply to properties falling within bands A, B, C and D where all members of the household are aged 70 and over.**

- **We will mitigate the government's Bedroom Tax by investing £100,000 in providing enhanced information and advice services for people on benefits.**

- **We will invest £300,000 to ensure that the poorest members of the community do not have to pay an increased proportion of their Council Tax.**

Attracting Investment and Economic Growth

- **We will invest £356,000 on the introduction of a Selective Licensing Scheme for private rented properties to ensure that every landlord is required to bring their properties to a high standard before they reach the market.**

- **To help unemployed people get back into the labour market we will invest £700,000 in continuing the excellent 'Reach Out' scheme.**

- **To attract additional investment and jobs to the Borough by investing £200,000 to create an economic development unit.**

- **We will further invest in our leisure facilities through £2 million of capital to upgrade Europa Pools, Guinea Gap and West Kirby and £200,000 in developing 2 3G football pitches in Seacombe.**

Settlement Information

On 5 February the Government announced the Final Local Government Finance Settlement. This confirmed the Provisional Settlement and the grant reductions reported in December and referred to in the Revenue Budget 2014/2017 report. Also confirmed were the Council Tax Referendum principles. A Referendum is required for increases of 2% and over, which could be held with the European Elections on 22 May. It included a simplifying of the calculation on which the 2% is based – a comparison to Band D Council Tax levels between years. It also specifically confirmed that the freeze grant element was included in the base position.

Cabinet is particularly disappointed by a number of items in the grant settlement:

- **Local Welfare Support Funding is ending without consultation or a reduction in the expectation on local authorities.**

- **Early intervention grant, which is designed to protect the life chances of our young people, has been reduced by £1m per year.**

- **The cost of providing Council tax support and ensuring this keeps in line with inflation now falls on the local authority**

- **The timing of announcements by the government, particularly the delay in announcing the referendum level for 2014/2015, makes it inordinately difficult to plan finances in a strategic manner**

CONTROL OF THE COUNCIL'S FINANCES

The Financial Monitoring report prepared by the Council's Section 151 officer, provides further evidence that the Council is managing and in

control of its finances. The projections for 2013/2014 show an under spend approaching £1m which is being used to fund the clean-up and repair works to West Kirby and New Brighton following the storms last December and provide funds to support the future Council restructuring costs. Cabinet is concerned that the Council is having to meet the costs of flooding in Wirral in contrast to other areas in the south of the country which are receiving funding from the government. Cabinet instructs the Chief Executive to write to the government seeking equal and fair treatment for Wirral.

The Revenue Budget 2014/2017 report further demonstrates the Council's desire to address the reductions in Government funding and set a Budget for 2014/2015 which is deliverable and sustainable and take steps to tackle the future years as well.

PLANNING FOR THE FUTURE

The Government has stated that the reductions in funding will continue until at least 2018.

Remodelling Reserve

Given the magnitude of Government funding cuts, the current structure of the Council is not sustainable. In order to plan for the future, work is therefore underway to completely remodel the Council. We know that it is sometimes necessary to invest to save money and for this reason we have reviewed our reserve position to create a remodelling reserve of £9.9 million to provide for the costs of the substantial changes we will need to introduce in order to ensure that the Council can deliver its future priorities within a vastly reduced budget.

Waste Development Fund

Merseyside Recycling and Waste Authority has announced that, subject to the successful conclusion of a contract and the collective agreement of all Merseyside Authorities, a 'one-off' sum worth £6.7 million to Wirral should be available during 2014/2015. This funding is subject to a memorandum of understanding that it should be used to help achieve the principal targets in the overall Recycling and Waste Strategy.

Balances

Clearly, the Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The level of balances is part of this resilience and there is a commitment to maintain balances in line with the local circumstances.

REVENUE

In December 2013, the Council took early decisions on the savings in the Budget for 2014/2015 and beyond. This followed the extensive consultation and the report details savings of £40 million which are being implemented in 2014/2015 and a further £21 million over

2015/2017. These are summarised in Appendix 1 of the revenue budget report.

CAPITAL

Major investment is also proposed to deliver the aims of the Council. The Capital Programme 2014/2017 report includes investment into Extra Care Housing and leisure centres including West Kirby, Guinea Gap and Europa Pool as well as using the successfully bid for Government funds to support businesses and bring investment into Wirral.

NEW PROPOSALS

New House Building Programme (£1.5 million)

Local authorities have a proud tradition of investing in physical assets which are essential to improving the quality of life of local residents. We know that we have challenging house building targets over the next five years. We also know that we have huge challenges in those disadvantaged areas of the Borough which lost out on new housing when the current Government axed the Housing Market Renewal programme. Cabinet therefore intends to invest £1.5 million from a combination of capital funding/reserves/loans to kick-start a substantial programme of affordable housing to be targeted at areas with the highest levels of deprivation. This funding should generate around 100 new homes. Cabinet asks for a report on this at the earliest opportunity which will set out how such a programme can be delivered.

Reinstate monthly cleaning of entries (£400,000)

In order to address the concerns of many residents that fly-tipping is a significant problem in many parts of the Borough, Cabinet intends to reinstate the monthly cleaning of entries. A two year programme is to be developed to tackle the issue of fly-tipping which is aligned with the work undertaken in taking forward the Recycling and Waste Strategy. This will be funded from the waste development fund.

Further developing Constituency Committees (£200,000)

As referred to in December, Cabinet agrees to the allocation of £200,000 for 2014/2015 to be devolved to the Constituency Committees. This is to enable the new approach to Neighbourhood Working to be further developed. This will be funded from reserves.

Constituency committees are already in a position to influence budgets and services across Wirral. This includes services which are important priorities for our local residents, such as reducing fly tipping and maintaining local parks in the borough, where committees can influence budgets of approximately £600k. The Council will continue over the next few years to focus on ensuring that the Constituency Committees are able to significantly influence spend on services in Wirral.

During the course of the new financial year, Cabinet asks for proposals to be developed to devolve further additional powers and budgets to each of the Constituency Committees.

Re-phasing the savings from Williamson Art Gallery (£100,000 of saving re-phased to 2015/2016)

The engagement of local people and 'Friends' groups has been welcomed in exploring new models for funding the Williamson Art Gallery in the future. It is acknowledged that more time is required to develop the proposals. Therefore the saving of £400,000 is to be delivered over the next two years, i.e. £150,000 in 2014/2015 and £250,000 in 2015/2016. Cabinet strongly favours keeping the Williamson open. This will be funded from reserves in 2014/2015.

Schools Crossing Patrols

Cabinet believes the safety of children is paramount. In December Cabinet agreed to ask schools to take over the funding of school crossing patrols. Given the concerns expressed by a minority of schools, officers are instructed to continue discussions with schools with a guarantee that no funding is removed where agreement cannot be reached.

SCHOOLS

The Schools Forum has been instrumental in helping to prepare the Schools Budget for 2014/2015. Difficult decisions have had to be taken, and will continue in future years, to ensure that the young people of Wirral are able to maximise their potential. The budget report details how the £240 million has been allocated and is approved.

COUNCIL TAX

Council Tax to be frozen in 2014/2015

Our proposals in December 2013 assumed a Council tax increase of 2%. In previous years, in common with many other authorities we have felt unable to accept the freeze grant as this was not built into the Council's base budget and would, if we had accepted it, merely have created a hole in the following year's budget which could only be plugged by even greater cuts.

Having lobbied the government hard on this issue, there is a very clear reassurance that the freeze element will be part of the base budget for at least the next 2 years. Cabinet therefore proposes that:

- **This Council accepts the Council tax freeze grant (£1.3 million).**

- **The cost of implementing the freeze has been funded from the overall benefit derived from the levy levels versus the budget assumptions in December 2013. This has been achieved as a result of prudent financial management by the Labour controlled joint**

boards. Table 10 of the report on Revenue funding summarises this position and the funding.

- **There will be no increase in the Wirral Council element of Council Tax for 2014/2015.**

Although acceptance of the freeze grant is welcome in that residents will see no increase in the overall Wirral Council element of Council Tax, it is disappointing that the level of grant equates to only a 1% rise and that effectively the government has prevented the income base increasing at a time when such significant savings in the next two years are required.

Finally, if the conditions surrounding the Council Tax freeze grant are maintained in 2015/2016 it is the Cabinet's intention to freeze the Council Tax for a further year following 2014/2015.

Conclusion

In conclusion, although this has been a difficult budget settlement, Cabinet is pleased to be able to freeze the Council Tax for 2014/2015, and hopefully, also for 2015/2016. This will enable us to help the residents of Wirral, many of whom are struggling to deal with the cost of living crisis.

RECOMMENDATION TO COUNCIL

(1) That the proposals as set out in this resolution be agreed by Cabinet and be recommended to Council for approval at its meeting on 25 February 2014.

(2) That Council continues to lobby Government to review the way it allocates funding to local Councils with a view to ensuring that any cuts are distributed in a way which is fair and equitable.

144 **CAPITAL PROGRAMME AND FINANCING 2014/2017**

The Director of Resources presented for consideration and referral to Council for approval, a draft Capital Programme for 2014/2017, together with the related capital financing requirements based upon the prudential indicators that informed the Treasury Management Strategy. As the Council had to manage demands for investment within the financial constraints that Wirral operated, prioritisation criteria had been developed to assess capital bids to ensure that the Programme was targeted to Council priority areas. The Programme therefore consisted of a combination of –

(i) Schemes originally approved as part of the 2013/2016 Programme and updated through the Capital Monitoring reports in 2013/2014, with schemes re-profiled into 2014/2015.

(ii) New/revised bids for consideration, with details of the schemes and the criteria against which they were scored.

The Council had also identified a requirement to upgrade the IT and, whilst it was an essential investment, the cost would vary, dependent on the chosen route of working more closely with others and alternative methods of delivery being investigated. The Director therefore recommended at this stage, that £4m be included in the Capital Programme 2014/2015, which would be refined over the coming months.

Capital receipts generated from the sale of Council assets were an important element of funding the Capital Programme and the assumption for capital receipts for the next three years was partly based upon the work of Lambert, Smith, Hampton who had been commissioned to advise and market a number of major assets, estimated at up to £20m, which were anticipated to be realised from 2015/2016 onwards. However, the Director commented that the usage of capital receipts could only be when the receipt was guaranteed so at this stage the projections were that there would be £6.2m available at 31 March 2014. Over £4m of that sum had provisionally been identified as funding for the 2014/2015 Programme and this would be re-assessed as further information became available in relation to both the Disposals and the Council Remodelling Programme.

The Director advised the Cabinet that, in considering the Capital Programme for 2014/2017, there was a need to fund up to £13.1m of new unsupported borrowing in 2014/2015 which, based upon current interest rates, equated to an increase of £1.2m in revenue borrowing costs. This, and the impact of a £0.5m reduction in investment income, could be accommodated within the £1.7m included for Capital Financing in the Revenue Budget projections for 2014/2015. The Cabinet was also advised that if a decision was taken to spend in excess of the level of identified resources, then this would require increased use of borrowing, which incurred annual revenue costs at the rate of £90,000 per £1m of capital expenditure. In considering the impact upon Council Tax levels, each 1% rise in Council Tax equated to £1.1m of increased expenditure.

Resolved –

(1) That the new bids as detailed in Sections 2.7 and 2.8 of the report of the Director of Resources be approved.

(2) That the overall Capital Programme 2014/2017, as detailed in Appendix 4 to the report of the Director of Resources be agreed and referred to the Council for approval.

(3) That the capital financing requirements be reflected in the revenue budget.

(4) That the Prudential Indicators be noted and reported to Cabinet as part of the Treasury Management Strategy.

(5) That progress on delivering the Capital Programme be presented in accordance with the agreed Capital Monitoring arrangements.

145 **FINANCIAL MONITORING 2013/2014 (MONTH 9)**

The Director of Resources set out the financial position for Month 9 (ended 31 December 2013) and provided in appendices to her report, separate monitoring reports for Revenue and Capital.

Resolved –

A REVENUE

(1) Cabinet notes that at Month 9 (December 2013), the full year forecast projects a gross General Fund under spend of £982,000, net £213,000. Cabinet previously agreed to earmark £519,000 of any forecast under spend against future Council restructuring costs and a further £250,000 to replenish General Fund Balances used for the clean up and repairs to infrastructure from December's exceptional weather events. This would result in a net £213,000 available should the forecast be realised at the end of the financial year. This would be required to contribute further to the restructuring reserve or to assist in raising the level of General Fund Balances depending upon the requirement identified.

B CAPITAL

(2) Cabinet notes –
- **(a) the spend to date at Month 9 of £17.9m, with 75% of the financial year having elapsed;**
- **(b) the agreed funding from Public Health of £0.484m**

(3) Cabinet agrees –
- **(a) the revised Capital Programme of £36.7m;**
- **(b) the re-profiling of a number of schemes into 2014/2015, totalling £4.191m**

146 **MEDIUM TERM FINANCIAL STRATEGY 2014/2017**

The Director of Resources presented the Medium Term Financial Strategy 2014/2017, which was a strategic, financial document that set out the Council's financial approach for the planning period 2014/2015 to 2016/2017. It also incorporated the Treasury Management and Investment Strategy for 2014/2017 in accordance with the CIPFA Code of Practice for Treasury Management in Public Services.

The Director commented that over the next three years the services the Council provided faced a very challenging financial future with a £44m anticipated funding gap. This had led the Council to consider how the total financial resources of the Council and its partners would need to be maximised, prioritised and channelled to the right areas and activities. The Medium Term Financial Strategy focused on ensuring that resources were matched to priorities as identified in the Corporate Plan, whilst ensuring that statutory functions were provided in the most efficient way.

The Chair noted that the savings introduced in the four year period Spending Review 2010 (SR10) 2011/2012 to 2014/2015 represented the largest reduction in public government spending since the Second World War. In addition, local government would face further funding reductions in real terms and it was anticipated that further reductions due to austerity would continue until at least 2017. The Medium Term Financial Strategy as well as providing financial background, set out the Councils budget strategy, the aim of which was 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 report stated that the Treasury Management Strategy remained a key area of the financial strategy, especially with low interest rates and limited investment opportunity. It was incorporated in the Medium Term Financial Strategy and was subject to approval by the Council at the same time as the budget. She set out the CIPFA definition of 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.”

The Council had endorsed the definition and had acknowledged that effective treasury management would provide support towards the achievement of its business and service objectives. It was, 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.

Resolved –

A That in respect of the Treasury Management Strategy 2014/2017 –

(1) The Treasury Management Strategy for 2014/2017 be approved
(2) The Prudential Indicators be adopted
(3) The Council’s Minimum Revenue Provision policy be approved
(4) The Council Officers listed in Appendix G of the Director’s report be authorised to approve payments from the Council’s bank accounts for all treasury management activities.

B That is respect of the Medium Term Financial Strategy 2014/2017 –

(1) The Medium Term Financial Strategy be approved
(2) Regular updates of the Medium Term Financial Strategy be reported to Cabinet

147 SCHOOLS BUDGET 2014/2015

Councillor Tony Smith, Cabinet Member for Children and Family Services, presented the report of the Director of Children’s Services, which recommended the approval of a Schools Budget 2014/2015 of £240,058,000 for early years, maintained schools, academies, colleges and providers in Wirral. The Budget had been considered by the Wirral Schools Forum on 22 January 2014 (minute 269 refers), who had agreed the following recommendations –

- The Dedicated Schools Grant (DSG) funded Schools Budget for maintained schools and academies be approved in the sum of £240,058,000.
- The headroom of £1,215,100 be allocated within the formula to all schools and early years providers.
- The High Needs Contingency totalling £908,900 be agreed.

- A reduction for Planned Programmed Maintenance (PPM) of £200,000 be agreed.
- The use of DSG reserves totalling £732,000 in setting the schools budget be agreed and the remaining balance for Automatic Meter Readers be reclassified as a reserve for installation of defibrillators.

The Schools Funding Allocations were issued by the Department for Education on 18 December 2013 and the basis of the grant continued to be the "Spend Plus" methodology introduced in 2006, with four unringfenced spending blocks for each authority, which indicated the levels of expenditure anticipated for each authority.

In the case of the Schools and the Early Years blocks, they were updated for changes in pupil numbers. Pupil numbers for the Schools Block were those recorded in the October 2013 census, whereas Early Years Funding was a combination of the census in January 2014 and January 2015. The dates for the Early Years Census meant that the exact DSG would not be finalised until June 2015 and the Early Years grant used for the purposes of the 2014/2015 Schools Budget would be the indicative figures (based on January 2013). The High Needs Block provided an allocation for the funding of all High Needs Students aged 0 – 24, including the Hospital School and the Other Block was in respect of Free Education for 2 year olds.

The report outlined significant Budget changes in each area and referred also to the use of reserves and centrally held budgets. A number of budget savings options for 2014/2015 arising from working in partnership with schools had been progressed, in relation to –

- Planned Programme Maintenance
- School Crossing Patrols
- Non Teaching Trade Union Facility Time
- Private Finance Initiative (PFI) Affordability Gap

Councillor Smith referred specifically to funding for the Schools PFI. He commented that the Council currently added £2.6m to the ring fenced schools budget in respect of the PFI funding gap. £2.3m of the funding was an agreed saving in 2015/2016 and the remainder had been protected. However, he proposed that the Council funding for PFI be reduced by £600,000 in 2014/2015 rather than 2015/2016.

He stated that the 2014/2015 Schools Budget had already been submitted to the Education Funding Agency (EFA) and was finalised. However, there was approximately a £1m schools budget carry forward from 2013/2014, which could be used to 'compensate' for the £600,000 funding gap. Schools would therefore receive the same budget for 2014/2015 as planned.

In response to a query in relation to the potential impact on the budget of the outstanding call-ins (i) of the decision to consult upon the proposed closure of Lyndale School (minute 129 (16 January 2014) refers); and (ii) Proposals for Changes to School Top Up Payments for Students with High Needs (minute 140 (16 January 2014) refers), the Head of Legal and Member Services reported that the proposed Schools Budget, included a contingency provision that was considered sufficient to address any financial implications that may arise as a result of the forthcoming call in hearing. The proposed Schools Budget enabled the Policy and Performance Co-ordinating Committee to consider the call-ins, particularly the one related to the 'Proposals for changes to the School Top Up Payments for Students with High Needs' to be considered. Consideration had been given to the outstanding call-ins; however, the proposed Schools Budget was sufficient to meet any financial implications arising directly from the call-ins and still provide an adequate contingency for other unforeseen events.

Resolved –

(1) That the Dedicated Schools Grant (DSG) funded Schools Budget for maintained schools and academies be approved in the sum of £240,058,000.

(2) That the headroom of £1,215,100 be allocated within the formula to all schools and early years providers.

(3) That the High Needs Contingency totalling £908,900 be agreed.

(4) The use of DSG reserves totalling £732,000 in setting the schools budget be agreed and the remaining balance for Automatic Meter Readers be reclassified as a reserve for installation of defibrillators.

(5) That Council regrets that due to its financial challenges, it is unable to fund the full PFI affordability gap in 2014/2015 and will reduce the Council contribution to the Schools Budget by £600,000 to £2m. Officers are instructed to take appropriate actions in respect of the 2014/2015 Schools Budget.

148 **CARBON BUDGET 2013/2014**

Councillor Brian Kenny, Cabinet Member for Environment and Sustainability, presented the report of the Assistant Chief Executive upon the corporate and departmental progress made against the Carbon Budget 2013/2014 and the revisions that were required to meet Corporate Goals for 2014/2015. The Carbon Budget for 2014/2015 and the Performance Timetable towards the 2013/2014 target was set out in Appendix 1 to the report. The Carbon Budget had been established at the request of the Council (minute 77 (14 December 2009) refers) and the Corporate Plan 2013/2016 stated that we should spend less on ourselves and obtain best value for every penny we spend. In the portion related to Asset Management, the Transformational Projects report (minute 249 (Cabinet 23 May 2013) refers) identified: the lowering of building running costs; carbon output; and associated penalties as measures that would deliver budget savings through reduced running costs.

The Carbon Budget process promoted those aims and although it was not a statutory requirement, it was Wirral's only method of managing CO_2 emissions in order to reduce our carbon footprint and the costs associated with it. Meeting the annual targets of reduced carbon emissions would result in financial savings through reduced energy use and CRCEES charges.

Resolved –

(1) That progress towards the 2013/2014 target be noted.

(2) That the Carbon Budget for 2014/2015 be approved.

(3) That the current Carbon Budget method be applied until the impacts of: the ongoing simplification of the CRCEES and the Corporate restructuring are assessed and that Officers be instructed to report further to Members to make recommended alterations as a result of these processes.

(4) That managers be directed to ensure that Carbon Reduction Implications of projects and initiatives are assessed and reported as required by the standard report template and that impacts are required to be reported to the Building Services and Sustainability Section to support the carbon management process.

149 **FORMER PACIFIC ROAD ARTS CENTRE AND TAYLOR STREET TRANSPORT MUSEUM AND TRAMWAY, BIRKENHEAD**

With the permission of the Cabinet, this item was withdrawn.

150 **TRAFFIC SIGNALS MAINTENANCE 2014/2015 ONWARDS**

Further to minute 97 (7 November 2013), Councillor Harry Smith, Cabinet Member for Highways and Transportation, presented the report of the Strategic Director for Regeneration and Environment upon the outcome of the procurement exercise for the new Traffic Signal Maintenance Contract, which would replace the current contract that was due to expire on 31 March 2014. The contract, when awarded, would provide a contract mechanism to allow statutory maintenance duties of the traffic control network to be fulfilled and provide for the new installations, funded by capital investment, to be implemented. The tender report contained an evaluation of the tenders submitted, based on quality and price and was included within an exempt appendix, due to the commercially sensitive nature of the information (see minute 152 post).

It was recommended that the contract be awarded to the preferred bidder, as their tender was the most economically advantageous to the Council. The contract would be for a four year term with the potential for a two year extension, subject to satisfactory contract performance and management. The cost was approximately £350,000 per annum, which would cover revenue maintenance and capital investment, although the actual expenditure could vary each year, dependent on the overall maintenance required and the level of new schemes introduced through capital investment.

He commented also that, under the Public Contracts Regulations 2006, there was a statutory ten day 'standstill period' to enable unsuccessful tenderers to obtain feedback on the Council's contract award decision and potentially lodge a legal challenge if they were not satisfied on the legality of the decision.

Resolved –

(1) That the outcome of the procurement exercise be noted.

(2) That Cabinet approves the award of the contract, subject to the statutory standstill procedures, for the maintenance, supply and installation of Traffic Control Systems and Associated Equipment for a four year period, with the potential for a two year extension subject to satisfactory performance, to the preferred tenderer listed in the exempt appendix to the report now submitted.

151 **COMMITTEE REFERRAL - MERSEYSIDE FIRE AND RESCUE SERVICE FUNDING**

Further to an earlier Notice of Motion 'Cuts to Merseyside Fire and Rescue Service', the Regeneration and Environment Policy and Performance Committee, at its meeting held on 27 January 2014 (minute 30 refers), considered a presentation from the Chief Fire Officer upon the scale of the cuts faced by Merseyside Fire and Rescue Authority and the impact of Government proposals on the residents of Wirral. The Committee requested the Cabinet to support any lobby for additional funding for the Fire and Rescue Service.

The Chair commented that the cuts to the Fire and Rescue Service were making the job of keeping local people safe more difficult and he noted that the options that had been put forward by the Chief Fire Officer were the least worst, none of which would improve safety.

Resolved – That any lobby for additional funding for the Merseyside Fire and Rescue Service be supported.

152 **EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC**

Resolved – That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act.

153 **EXEMPT APPENDICES**

Cabinet noted the detail of the following appendix, which was exempt in accordance with paragraph 3 by virtue of the commercially sensitive nature of the information it contained.

- **Traffic Signal Maintenance**
  (see minute 150 ante)
  Appendix 1 – Tender Report

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WIRRAL COUNCIL

CABINET

12 FEBRUARY 2014

SUBJECT	**REVENUE BUDGET 2014/17**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1 This report provides the proposed Budget for 2014/15 and the projections for 2015/16 and 2016/17.

1.2 Budget Council is scheduled for 25 February 2014. The Council has to agree a Budget and set the level of Council Tax for 2014/15 by 10 March 2014.

2.0 BACKGROUND AND KEY ISSUES

BUDGET PROJECTIONS AS AT 16 DECEMBER 2013

2.1 The Future Financial Position report to Cabinet on 10 December updated the previous Medium term Financial Strategy and covered the period 2014/17. This provided the context in which budget decisions are being made. The projections indicated a forecast net funding available over the 3 year period of £780 million against current a net spend forecast of £863 million with a funding deficit of £83 million.

Table 1 : Summary of the Budget Funding Gap

Funding Gap	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m
Forecast Expenditure (including demographic changes)	300.3	288.1	275.1	863.5
Forecast income (including reduced grants)	272.8	257.4	250.0	780.2
Forecast Funding Gap	27.5	30.7	25.1	83.3

SAVINGS

2.2 In setting the Budget 2013/14 Council agreed savings which impacted upon 2013/14 and well as into future financial years. These are detailed in Appendix 1A.

Table 2 : Summary Of Agreed Savings – March 2013

Description	2014/15	2015/16	2016/17
	£m	£m	£m
Families and Wellbeing	5.5	4.3	0
Regeneration and Environment	2.5	0.4	0
Transformation and Resources	3.0	2.7	0
Total By Directorate	11.0	7.4	0
Corporate	2.0	2.0	0
Total	13.0	9.4	0

2.3 The Council undertook a comprehensive What Really Matters consultation programme from 16 September 2013 to 6 December 2013. The findings were reported to Cabinet on 10 December 2013.

2.4 Cabinet recommended a series of savings options totalling £27.5 million to Council for 2014/15. Confirmed by Council on 16 December 2013 they included a Council Tax rise of 2% from April 2014 and additional funding to the Council Tax Support Scheme as a consequence of that increase which were subject to further consideration by Cabinet once the final Local Government Finance Settlement was received. A schedule of the savings is detailed in Appendix 1B.

Table 3 : Summary Of Agreed Savings – December 2013

Description	2014/15	2015/16	2016/17
	£m	£m	£m
Families and Wellbeing	10.7	6.2	1.2
Regeneration and Environment	2.0	0.4	0
Transformation and Resources	4.7	2.7	0
Total By Directorate	17.4	9.3	1.2
Efficiencies	7.8	3.3	0
Council Tax rise (provisional)	2.2	0	0
Total	27.4	12.6	1.2

GROWTH ITEMS

2.5 The Budget Projections for 2014/15 included an assessment of growth arising from demographic changes, inflationary rises and agreed options. All Strategic Directors and Chief Officers identified potential growth bids which were subject to review by the Chief Executive Strategy Group and by internal challenge as to their validity and justification.

2.6 The growth bids that have been agreed are detailed at Appendix 2. These have been accepted where increased demand is placing uncontrollable pressure on safeguarding services for Adults and Children's Services and other services where the Council has a contractual obligation to fulfil.

2.7 The measures put in place to protect the vulnerable and reduce inequality were included in the Cabinet resolution in December, which was approved by Council. This also referred to new initiatives to attract investment and economic growth with the introduction of a Selective Licensing scheme for private rented properties and the creation of an Economic Development Unit.

Table 4 : Summary of the Growth

	2014/15	2015/16	2016/17
	£m	£m	£m
By change			
Demographic	2,855	2,119	2,111
Other	4,768	1,490	1,607
Inflation	2,116	1,724	1,795
Total	9,739	5,333	5,413
By Directorate			
Families and Wellbeing	4,626	3,592	3,543
Regeneration and Environment	1,784	1,741	470
Transformation and Resources	3,329	0	1,400
Total	9,739	5,333	5,413

2.8 Included within the growth for 2014/15 is £530,000 being the impact upon the Council Tax Support Scheme of a 2% Council Tax rise so that those in receipt of the Support are not liable for the increase. This is linked to any decision on the Council Tax rise upon which a decision was deferred (see the section on Council Tax later in this report).

2.9 The level of growth allocated for 2014/15 is in line with the amounts included in the Budget Projections. Cabinet is also advised that a separate element exists in 2014/115 for Employees with £1 million set aside for pay and associated on-costs increases,

INCOME FROM FEES AND CHARGES

2.10 Fees and charges of the authority are reviewed as part of the Annual Budget and a Directory of Council Fees and Charges is maintained on the Council web-site.

2.11 Directorates have examined their fees and charges for the 2014/15 financial year and set them according to the circumstance of their services. No general inflationary increase has been applied. Any changes, including new charges and those linked to an agreed saving, have been incorporated into the Directory with changes in income targets reflected in the 2014/15 budget. Appendix 3 provides more detail with some charges subject to review and consultation including care services, charges for leisure and cultural service activities, building control fees and land charges.

2.12 Cabinet is asked to note the Directory and give Delegated Authority to the Director of Resources to update the Directory as charges are finalised prior to publication before 1 April 2014.

LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)

2.13 The Provisional LGFS was announced on 18 December 2013 and the consultation closed on 15 January 2014. The final Settlement is now expected in early February. 2014.

2.14 The Provisional Settlement sees Wirral's main grant reducing from 2013/14 by £18 million for 2014/15 and £24 million for 2015/16. These are in line with the assumptions included in the Council Budget and essentially reflect the Consultation document issued by the Government in July 2013. The only difference being a further £0.3 million reduction in 2015/16. Within the Settlement are reductions in Early Intervention Grant of £1 million for 2014/15 and a further £1 million in 2015/16.

2.15 In terms of New Homes Bonus the Grant increased from £1.5 million to £1.8 million with the increase in properties being less than projected in the earlier consultation which also included a £1 million additional payment, now £0.2 million, for 2014/15. The Government projections included a total of £3 million of New Homes Bonus which is now £2 million for 2014/15 and 2015/16 representing a shortfall of £1 million.

2.16 The Budget is based upon the Provisional Settlement and therefore may change. In relation to the Council Tax Freeze Grant and any Council Tax increase a formal announcement on Referendum criteria has still to be made and is expected in mid-February 2014.

LEVIES

2.17 Formal notification is awaited from the Merseyside Recycling and Waste Authority and the Merseyside Transport Authority of the levies for 2014/15. Both bodies are meeting prior to the meeting of Cabinet and have indicated that they will freeze the overall Merseyside levy. The allocation mechanism for both bodies means that there will be variations for individual authorities. The Waste Authority reflects relative tonnages resulting in a decrease for Wirral of £0.5 million for 2014/15. The transport Authority reflects relative populations resulting in a decrease for Wirral of £0.1 million.

2.18 The Transport Authority is again providing grant funding for an element of highways and street lighting spend which relates to supporting the provision of strategic bus routes across the area. This could, potentially, result in the Council receiving in the region of £1.5 million in 2014/15 (up on £0.7 million in 2013/14). and potentially £2.3 million in 2015/16. This funding is not permanent so could therefore be removed in 2016/17.

2.19 The Council Budget assumptions had included for growth in the levies. The levying body decisions are likely to result in a reduction of £0.6 million. With the grant contribution of £0.8 million from transport this represents an overall benefit to the Council of £1.8 million for 2014/15.

2.20 The Waste Authority has indicated that the progression of the Waste Management & Recycling and the Resource Recovery Contracts have enabled them to review their funding. The Authority is proposing to release the Sinking Fund, now the Waste Development Fund, to constituent authorities. The release of this 'one-off' sum is subject to the formal agreement of all the constituent authorities who will commit to use their best efforts to support the objectives and targets of the Joint Recycling and Waste Management Strategy. It is worth £6.7 million to Wirral and should become available during 2014/15.

PENSIONS

2.21 The Merseyside Pension Fund was subject to the triennial valuation in 2013. The actuarial assessment determines both the Contribution Rates for Employers and the Deficit Recovery Payments for the financial years 2014/15 – 2016/17.

2.22 Contribution rates have been set at 13.6% (up from 12%) for the next three years being based upon payroll costs and numbers employed. The Deficit Recovery element is separate being subject to annual increases as the recovery is deferred over three years but is fixed in that it does not vary with changes to employee numbers over the period.

Table 5 : Pension Fund Increased Costs

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

2.23 The overall increased cost to Wirral is in the region of £2.8 million for 2014/15. This is £0.3 million in excess of the assumptions in the Budget Projections for 2014/15. Further increased contributions are required in 2015/16 and 2016/17 as the Deficit Recovery payments are fixed over period. The pension contribution costs in future years will vary with reductions in the workforce.

CAPITAL AND INVESTMENTS

2.24 The Capital Programme and Financing report on this agenda details the process followed in order to determine the Programme. More stringent procedures were adopted in considering new submissions for inclusion in the Programme. Having regard to the considerable re-profiling undertaken during 2013/14 particular attention was paid to the planned phasing of spend for the new submissions. The report concludes that the increased borrowing costs for 2014/15 are £1.2 million.

2.25 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. The reduced returns resulting in income from investments projected to be £0.5 million less than budget in 2014/15.

2.26 As the Budget Projections included £1.7 million for Capital Financing the proposed Capital Programme and changes to investments can be accommodated within this figure.

COUNCIL TAX

2.27 Cabinet on 10 December 2013 agreed the Council Tax Base for use in 2014/15. This takes the actual number of properties which are converted to the Band D equivalent and adjusted for the Local Council Tax Support Scheme and other Council Tax Discount, Exemptions and Disabled Relief and then by the Collection Rate to give the Council Tax-Base.

Table 6: Wirral Council Tax Band D calculation 2014/15

Band	Value (£)	Actual property numbers at 11 Nov	Band D equivalent properties at 11 Nov	Net Band D equivalent adjusted for exempt, etc
A	<40,000	58,697	33,345.0	21,216.9
B	40,001-52,000	31,629	21,982.5	18,332.9
C	52,001-68,000	27,134	21,884.7	19,973.1
D	68,001-88,000	13,135	12,036.8	11,434.5
E	88,001-120,000	8,053	9,142.2	8,895.4
F	120,001-160,000	4,233	5,720.4	5,601.8
G	160,001-320,000	3,087	4,827.9	4,788.9
H	>320,000	268	465.0	464.7
Band A Disabled (1/9th of Band A)			55.7	26.9
Total		146,238	109,460.2	90,735.1
Collection Rate				x 96.75%
Adjusted Council Tax-Base				87,786.2

2.28 The Government has announced that a Council Tax Freeze Grant will be available for 2014/15 for Councils which freeze Council Tax levels in 2014/15. This is the equivalent of a 1% Council Tax rise, based upon the 2013/14 levels, and for Wirral equates to £1.3 million. It is stated that this will be built into the base funding for the life of the Spending Review so is payable for both 2014/15 and 2015/16.

2.29 If the Council agreed to increase Council Tax the Government has again imposed the requirement for a Council Tax Referendum. The calculation of the Referendum 'trigger' amount is also to be simplified to a comparison between overall Band D levels for 2013/14 and 2014/15 and which now includes levies. Formal confirmation of the % increase and the supporting calculation that 'triggers' the Referendum is awaited. This may not be published until mid-February 2014.

2.30 Cabinet / Council in December 2013 provisionally approved a 2% Council Tax rise for 2014/15 subject to the Local Government Finance Settlement. The Council has to consider Council Tax levels for 2014/15 with any variation below the £1.7 million net income achieved from the 2% rise representing a further growth in the Budget. A decision to accept the Council Tax Freeze Grant for 2014/15 would therefore represent growth, as it reduces the provisionally agreed savings, of £0.4 million.

Table 7 : Council Tax Options

Options	Income	
	£m	£m
Tax Rise of 2% (assumes Wirral + Levies) Less Local CTax Scheme protected from rise	2.2 -0.5	 1.7
Tax Rise of 1.5% (assumes Wirral + Levies) Less Local CTax Scheme protected from rise	1.7 -0.4	 1.3
No Tax Rise and acceptance of the Freeze Grant. Calculated at 1% of the adjusted 2013/14 Tax Base.		 1.3

BUSINESS RATES

2.31 On 1 April 2013 a new Local Government Finance System was introduced. Under these new arrangements, billing authorities retain a proportion of locally raised business rates and either pay a tariff or as in Wirral's case receiving a top-up to ensure a comparable starting position with the previous funding system.

2.32 A declaration of an estimated surplus or deficit for the 2013/14 financial year together with a forecast for 2014/15 must be submitted to the Government by 31 January 2014. Business Rates are managed through the Collection Fund with any surplus / deficit being allocated to Central Government 50%, to Wirral Council 49% and to Merseyside Fire and Rescue 1%.

2.33 Business Rates is a particularly complex and volatile tax area that can fluctuate due to a number of reasons including:

- Appeals against rating decisions. Dealt with by the Valuation Office Agency and can be large and backdated a number of years
- Changes in liability relating to changes in occupancy
- Changes in building use
- Alterations to buildings size and layout
- Demolitions and new builds
- Actions avoiding full liability eg empty property and charitable reliefs
- Assessment of bad and doubtful debts

2.34 With this a new area to the Council and one which brings additional risks because of its complexity and volatility any surplus arising from Business Rates for 2013/14 will be held in a General Fund reserve which can then be used to meet any potential deficit from the Collection Fund. At this time the Business Rates forecasts are being collated for 2014/15 having regards to potential changes through the economic situation and including growth as well as bad debts. As the initial year of the new arrangements has yet to conclude a similar approach is being followed. Any surplus / deficit arising from the 2014/15 will be considered as part of the Collection Fund report in January 2015.

LEVEL OF GENERAL FUND BALANCES

2.35 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.

2.36 The level should be based on the Council's own specific circumstances. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks facing the Council. The report to Cabinet on the 2013/14 budget on 28 November 2012 detailed the new approach and Appendix 4 has the calculation updated.

Table 8 : Summary Of The Assessed General Fund Balances

	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Assessed at February 2013	13.0	17.7	13.1	-
Assessed at February 2014	13.0	17.3	15.4	13.9

2.37 The latest Monitoring Report (December 2013 - Month 9) showed the projected balance at 31 March 2014 to be £17.2 million so the revised target of £17.3 million is achievable.

Table 9 : Summary Of the Projected General Fund Balances

Details	£m	£m
Projected balance 31 March 2014 when Budget set 2013/14		+13.6
Add: Increase following completion of 2012/13 accounts		+3.6
Add: Potential underspend, at Month 9	+1.0	
Less: Funding of energy increase 2013/14	-0.2	
Less; Funding for Storm damage and cleansing	-0.3	
Less: Transfer to Remodelling / Restructure Reserve	-0.5	-
Projected balance 31 March 2014		17.2

REVIEW OF RESERVES AND PROVISIONS

2.38 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. The monthly Monitoring reports presented to Cabinet and to the Policy & Performance Committees include reference to resources held on the Balance Sheet in the form of provisions and reserves.

2.39 Resources set-aside for specific purposes as provisions and 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 2014/15 Budget. And this is detailed in Appendix 5.

2.40` With the Council undertaking a major remodelling in order to deliver the Council Vision for 2016 resources are needed to help achieve this aim. It is proposed to create a Remodelling Reserve from the reserves released by Directorates as no longer being required together with the transfer of two reserves namely the Budget Support and Local Pay reserves. Cabinet has also agreed that any Revenue Budget underspend in 2013/14 with be used to replenish balances and any additional sum be allocated to the Remodelling / Restructuring Reserve.

ROBUSTNESS OF THE ESTIMATES

2.41 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (Director of Resources) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves.

2.42 Appendix 6 sets out the requirements and the actions taken by the Council in relation to the Robustness of both the Revenue Estimates and the Capital Programme. The Annex contains an assessment of the key issues identified in relation to demonstrating how the legal requirements have been met.

3.0 RELEVANT RISKS

3.1 The changes to the financing of local government in April 2013 included changes in respect of the Formula Grant and also Business Rates. The latter placed an increased risk upon local authorities as any they will benefit from a share of any increased revenues but also liable for at least a share of any falls in income (subject to the safety net triggers) and any non-collection.

3.2 The Government has indicated that the austerity measures outlined in the Spending Review for 2011/15 will continue until at least 2018. This was confirmed in the Spending Review 2013 and in the Autumn Statement on 5 December 2013.

3.3 One of the key elements in the Budget is the achievement of agreed savings. A number are reliant upon consultation with other bodies and groups; involve reductions in staffing following remodelling of the Council or through revised Commissioning and Procurement. These may take longer than anticipated to deliver which is reflected in the level of balances and the savings profiling budget. Management action is taking place to mitigate these risks.

3.4 The introduction of the new retained business rates system has passed increased risk to local authorities. Reductions in income including those arising from appeals relating to past years will now partially fall on the authority. There may also be opportunity to share in any increased income where collection is above the forecast amounts. These risks can be mitigated through a combination of the operation of the Collection Fund and the General Fund balances. The latter comprising both a specific Business Rates reserve and General Fund balances.

3.5 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 part of the move to improve resilience. The locally and risk based approach to the level of General Fund balance adopted by the Council is in line with the achievement of this approach.

3.6 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.

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

5.1 The findings from the What Really Matters consultation that ran from 16 September 2013 to 6 December 2013 were reported to Cabinet on 10 December 2013.

5.2 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

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

7.0 RESOURCE IMPLICATIONS

7.1 The Budget Projections 2014/17 indicated a shortfall between spend and resources of £83 million. This formed the base position for identifying any actions to address the Budget gap.

7.2 The Budget projections for 2014/17 as detailed in Table 1 have been revised to incorporate the updates contained in Section 2.2 – 2.34. The updated position shows a ‘surplus’ for 2014/15 of £0.4 million whilst the indications for future years are a Budget Gap of over £44 million for the period 2015/17. This will be subject to change as the Government has only issued the Local Government Finance Settlement for 2014/15 and indicative figures for 2015/16.

Table 10: Summary of the Budget Funding Gap at January 2014

Funding Gap	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m
Funding Gap 10 December 2013	27.5	30.7	25.1	83.3
Savings	-27.4	-12.6	-1.2	-41.2
Local Govt Finance Settlement	+1.0	+0.3	-	+1.3
Levies	-1.0	-	-	-1.0
Levy / Transport Grant	-0.8	-0.8	+2.3	+0.7
Pensions	+0.3	+0.4	+0.4	+1.1
Council Tax	**	-	-	
Revised Budget Gap	-0.4	18.0	26.6	44.2

** Projections presently include the provisional Council Tax rise of 2%. Cabinet is advised that the Government has still to announce the Final

Local Government Finance Settlement for 2014/15 and the Referendum limits applicable to Council Tax rises for 2014/15.
Therefore a 2% Council Tax rise may require a Referendum; a Council Tax rise of 1.5% would require growth of £0.4 million and may require a Referendum and acceptance the Council Tax Freeze Grant for 2014/15 would require growth of £0.4 million.

7.3 The level of General Fund Balances is projected to be in the order of the £17.3 million minimum level for 2014/15.

7.4 A number of the budget savings impact on staff. Formal consultation meetings and communication have been taking place across the organisation. Any budget options which impact on staff have been, or will be, subject to further detailed consultation on the potential impact including one-to-one consultation with employees, and collective consultation with the Trade Unions, as part of the statutory process.

8.0 LEGAL IMPLICATIONS

8.1 The Council is required to agree a Budget for 2014/15 by 10 March 2014. 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.

8.2 The duty of the Council to avoid a budget shortfall which is not just an academic exercise in balancing the books. The Chief Financial Officer of a local authority has a personal duty under Local Government Finance Act 1988 section 114A to make a report to the executive if it appears to her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

9.0 EQUALITIES IMPLICATIONS

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That the savings 2014/17, set out at Appendices A1 and A2 be confirmed.

12.2 That the Budget Growth 2014/17, set out in Appendix 2 be agreed and the detail be built into the Budget.

12.3 That the fees and charges be noted and delegated authority be given to the Director of Resources to update the Council Fees and Charges Directory prior to publication before 1 April 2014.

12.4 That 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 and that the Council maintains balances at, or above, this level.

12.5 That the release of Provisions and Reserves by Directorates be agreed and that a Remodelling / Restructure reserve be created from the reserves released together with the amalgamation of the Budget Support 2014/15 and Equal Pay reserves.

12.6 That the Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves (Appendix 6) be noted.

12.7 That, with reference to Sections 2.30 and 7.2 of this report, a decision be made on Council Tax levels for 2014/15.

12.8 That Cabinet recommend to Council a budget proposal for 2014/15.

13.0 REASON FOR RECOMMENDATIONS

13.1 Cabinet are required to recommend a Budget to Council on 25 February 2014. 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.

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APPENDICES

Appendix 1A	Savings Agreed 2014/17 - March 2013.
Appendix 1B	Savings Agreed 2014/17 - December 2013.
Appendix 2	Growth Submissions 2014/17.
Appendix 3	Fees and Charges.
Appendix 4	Level Of General Fund Balances.
Appendix 5	Reserves.
Appendix 6	Robustness of the Estimates.

REFERENCE MATERIAL

Council Budget 2013/14 - March 2013.
Autumn Statement – HM Treasury – December 2013.
Provisional Local Government Finance Settlement 2014/15
 - Department for Communities and Local Government – December 2013.
Section 25 - Local Government Act 2003.

SUBJECT HISTORY

Council Meeting	Date
Cabinet Planning the budget process for the next budget round 2014/17 What Really Matters Consultation Findings Future Financial Position	 18 April 2013 10 December 2013 10 December 2013

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APPENDIX 1A

SAVINGS APPROVED AS PART OF THE 2013/14 BUDGET

FAMILIES AND WELLBEING	**2014/15 £000**	**2015/16 £000**
Schools Budget	200	2,300
Careers, Education and Advice	300	0
Community Meals	31	0
Targeted Support through NHS Contracts	1,389	994
Extra Care Housing	300	0
Residential and Respite Care	160	0
Day Care and Day Services Transformation	750	500
Assistive Technology	150	0
Transport Policies	556	526
Foundation Learning	12	0
Commissioning of Parenting Services	200	0
Review of VCF Sector Grants	115	0
Review of Emergency Duty	100	0
Youth and Play Services	300	0
Youth Challenge	200	0
Children's Centres and Sure Start	596	0
Short Breaks for Children with Disabilities	150	0
Families And Wellbeing Total	**5,509**	**4,320**

REGENERATION AND ENVIRONMENT	**2014/15 £000**	**2015/16 £000**
Garden Waste Collection	176	393
Street Cleansing	-250	0
Biffa Contract Break	600	0
Supporting People	2,000	0
Regeneration General Running Costs	0	40
Regeneration And Environment Total	**2,526**	**433**

TRANSFORMATION AND RESOURCES	**2014/15 £000**	**2015/16 £000**
Service Restructures	642	0
Reducing the Cost of Democracy	75	100
Procurement	*	*
Information Technology Service	90	0
Better Use of Buildings	0	458
Transforming Business Support	1,000	1,000
Libraries and One Stop Shops	466	117
Shared Services Development	400	1,000
Council Tax: Discretionary Relief	320	0
Transformation And Resources Total	**2,993**	**2,675**

CORPORATE	**2014/15 £000**	**2015/16 £000**
Efficiency Fund	2,000	2,000
Corporate Total	**2,000**	**2,000**

SUMMARY	**2014/15 £000**	**2015/16 £000**
Families and Wellbeing	5,509	4,320
Regeneration and Environment	2,526	433
Transformation and Resources	2,993	2,675
Total By Directorate	**11,028**	**7,428**
Corporate	2,000	2,000
Total	**13,028**	**9,428**

^ Procurement savings of £4 million for 2014/15 and £5 million for 2015/16 deleted as replaced by revised savings for Corporate Commissioning.

APPENDIX 1B

SAVINGS APPROVED DECEMBER 2013

FAMILIES AND WELLBEING	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Transport Depot	100	0	0
Paying for Adult Social Care	1,117	0	0
Shared Services and Integration	608	10	1,200
Accommodation for 16/17 year olds	600	0	0
Working Together with Schools	915	300	0
Careers Advice and Guidance	200	0	0
Service Design and Improvement	4,148	1,975	0
Commissioning and Contracting	1,905	165	0
Early Intervention to Support Families	300	1,950	0
Substance Misuse and Teenage Pregnancies	160	0	0
Family, Parenting and Youth Commissioning	200	300	0
Children's Centres	500	1,500	0
Families and Wellbeing Total	**10,753**	**6,200**	**1,200**

REGENERATION AND ENVIRONMENT	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Environmental Health Modernisation	215	0	0
Floral Pavilion Review	100	300	0
Birkenhead Kennels	40	0	0
Tramway Museum	124	0	0
Memorial Service	95	0	0
Heritage Fund	40	0	0
Street Lighting	85	0	0
Housing Strategy	206	0	0
CCTV Control Room	350	0	0
Williamson Art Gallery	250	150	0
Parks Maintenance	450	0	0
Regeneration and Environment Total	**1,955**	**450**	**0**

TRANSFORMATION AND RESOURCES	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Transforming Wirral Council	3,111	2,500	0
IT and Telecommunications	200	70	0
Managing the Money	373	30	0
Improving Access to the Council	250	69	0
Council Tax Collection	140	0	0
Council Tax Pensioner Discount	591	0	0
Transformation and Resources Total	**4,665**	**2,669**	**0**

CORPORATE / EFFICIENCIES	2014/15 £000	2015/16 £000	2016/17 £000
Managing Buildings	125	125	0
Corporate Commissioning	5,000	2,000	0
T&R Supplies and Services	400	0	0
Trading Standards	30	0	0
Leisure Review	1,000	1,000	0
Review Of Single Person Discount	300	0	0
External Funding	500	0	0
Review of Community Safety	418	185	0
Traffic Management Signals	40	0	0
Corporate / efficiencies Total	**7,813**	**3,310**	**0**

SUMMARY	2014/15 £000	2015/16 £000	2016/17 £000
Families and Wellbeing	10,753	6,200	1.200
Regeneration and Environment	1,955	450	0
Transformation and Resources	4,665	2,669	0
Total By Directorate	17,373	9,319	1,200
Corporate Efficiencies	7,813	3,310	0
Council Tax of 2%	*2,200	0	0
Total	27,386	12,629	1,200

* Decision on any Council Tax increase deferred pending the final Local Government Finance Settlement announcement by Government.

APPENDIX 2

GROWTH SUBMISSIONS 2014/17

DIRECTORATE	OPTION TITLE	2014/15	2015/16	2016/17
		£000	£000	£000
	DEMOGRAPHIC GROWTH			
Families Childrens	Increase in Special Guardianship and Adoption numbers	240	240	240
Families Adults	Increase in Demand (Young Adults with Learning Disabilities)	926	930	934
Families Adults	Increased demand Older People	1,139	949	937
Families Adults	Ordinary Residence	500	0	0
Regeneration	Temporary Accommodation Budget	50	0	0
	Demographic Growth	**2,855**	**2,119**	**2,111**
	OTHER GROWTH			
Families Childrens	Staying Put Policy	0	100	0
Families Childrens	Leasowe Millennium Centre	76	0	0
Families Childrens	Youth and Play Services - refocus provision	50	0	0
Families Adults	Care Bill implications	0	50	100
Transformation	Graduate	88	0	0
Transformation	Savings Profiling including Business Rates	900	0	0
Transformation	Council Tax Summonses	1,300	0	0
Regeneration	United Utilities Standing Water Charges	0	0	92
Regeneration	New System for administering Resident Parking Schemes	40	-10	0
Regeneration	Parking Income shortfall due to end of income agreement	68	0	0
Regeneration	Biffa Property Uplift	13.	13	15
Regeneration	Selective Licensing of Landlords	356	-163	0
Regeneration	Homelessness Prevention Grant	221	0	0
Regeneration	Prevention and support services (presently from Community Fund)	0	500	0
Regeneration	Housing Standards and Renewal (presently from Community Fund)	0	600	0

DIRECTORATE	OPTION TITLE	2014/15	2015/16	2016/17
		£000	**£000**	**£000**
Regeneration	Housing Options/Homeless Prevention Team (presently from Community Fund)	0	400	0
Regeneration	Car Parking Operations Income	350	0	0
Regeneration	Increase to green waste processing gate fee	65	0	0
Regeneration	Economic Strategy Unit	200	0	0
Transformation	Council Tax Support Scheme: Uprating	265	0	0
Transformation	Council Tax Support Scheme Impact of 2% CTax rise if % payable not changed	530	0	0
Transformation	Pensioners Discounts impact of 2% Council Tax rise	26	0	0
Transformation	IT Support	120	0	0
Chief Execs	Benefit Advice Services	100	0	0
Transformation	Elapsing of unpaid leave 3 year savings option	0	0	1,400
	Other Growth	**4,768**	**1,490**	**1,607**
	INFLATION			
Families Chidrens	Increasing Fostering & Adoption Allowances	200	200	200
Families Chidrens	PFI Affordability Gap	190	150	150
Families Chidrens	Teacher Retirement Costs	80	60	60
Families Chidrens	Transport Contracts	80	70	70
Families Chidrens	Energy and CRC Allowances price increases	310	0	0
Families Adults	Contract inflation	835	843	852
Regeneration	Highway Services Contract	48	48	0
Regeneration	Contract for Parking Enforcement Services	10	15	15
Regeneration	Urban Traffic Control Systems	20	0	0
Regeneration	Biffa Contract Inflation	343	338	348
	Inflation	**2,116**	**1,724**	**1,695**
	TOTAL GROWTH	**9,739**	**5,333**	**5,413**

APPENDIX 3

FEES AND CHARGES

1.0 EXECUTIVE SUMMARY

1.1 In accordance with best practice, fees and charges of the authority should be reviewed on a regular basis. Whilst this is undertaken by Directorates it is good practice for the Council to maintain, and publish, a comprehensive Directory of Fees and Charges

2.0 BACKGROUND AND KEY ISSUES

CHARGING POLICY AND DIRECTORY

2.1 The development and implementation of a Corporate Charging Policy is a key strand of the Council's Annual Budget Strategy in order to:

- Ensure that current charges are set and uplifted correctly.
- Ensure collection of fees and charges in an effective and efficient manner.
- Take an active approach in identifying and implementing new charging opportunities.
- Ensure the approach to charging helps the achievement of the Council's overall strategic goals.

2.2 Directorates have examined their fees and charges for the 2014/15 financial year and set them according to the circumstance of their services. A comprehensive Directory of Fees and Charges containing a description of the charge, VAT status and the charges covering the new and previous years is held on the Council web-site and updated at least annually.

REVIEW OF CHARGES FOR 2014/15

2.3 In many instances proposed fees and charges for 2014/15 have not changed from the level for 2013/14. Any changes resulting from new legislation or from savings agreed by the Council have been incorporated into the Directory. A number have still to be finalised and will be confirmed prior to publication of the Directory before 1 April 2014.

2.4 Under the Council Constitution Financial Regulations - Chief Officers are responsible for establishing a charging policy for the supply of goods and services, and, in consultation with the Director of Resources, for reviewing annually the levels of fees and charges relating to services under their control.

INFLATION

2.5 For 2014/15, no general inflationary increase was applied. This reflected the difficulties the Council had faced in achieving income targets in previous years. Whilst adjustments were made to Budgets for 2013/14 the ongoing economic situation meant that a general increase would potentially result in further unachievable budgets.

TRADING SERVICES

2.6 Charges for Hackney Carriage and Private Hire Licences are an example of a Trading Service. These charges are ring-fenced to only pay for the service. The current fees and charges are sufficient to cover the costs of the service and therefore any increase is prohibited.

2.7 Building Regulation Charges are a complex issue. The Council is required by Statute to recover the costs of the charge earning element of work over a rolling three year accounting period. Fees are set to recover costs provided that they are set within 'a scheme'. Guidance issued to authorities to aid the establishment of the appropriate charges dictates that the method of establishing the hourly rate must be indicated and potential applicants must be advised of the charge together with the level of service they will receive upon application. Given the complexity of the charging regime and the wide range of different scenarios the building control charges have been included in the appendix in three separate schedules.

DISCRETIONARY CHARGES

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

2.9 The largest source of income is from Adult Social Care charges which are presently being consulted upon as part of the Budget 2014/15. Once confirmed they will be incorporated into the Council fees and Charges Schedule.

2.10 The largest range of income is that encompassing leisure and cultural service activities. Possible changes to leisure and cultural services fees and charges are being considered as part of a general review of these services which is expected to report after the setting of the 2014/15 Budget. Increases arising from this review can be amended by Cabinet to reflect particular conditions and to take account of feedback from consultation.

2.11 Car parking is a significant source of income. Parking fees continue to be regularly reviewed having regard to competing providers as well as highways and traffic management issues. For 2013/14 Council agreed to standardise car parking charges across Wirral. During the forthcoming year a more comprehensive review of parking will be undertaken.

3.0 RELEVANT RISKS

3.1 Whilst budgets for income from fees and charges are set having regard to whether they are statutory or discretionary the achievement of the level of income can be influenced by a number of factors including the local economic situation. These are mitigated by the annual review and the budgets were amended for 2013/14 reflecting that some were deemed unachievable.

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

4.1 Income from Fees and Charges is an integral part of the Council Budget.

5.0 RECOMMENDATIONS

5.1 That the Directory be noted and Delegated Authority be given to the Director of Resources to update the Directory as charges are finalised prior to publication before 1 April 2014.

APPENDIX 4

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 Grant Thornton report on Financial Resilience at Wirral Council made reference to the need for robust financial control and the continuing financial challenges. The Council needs to have in place arrangements to ensure its' sustainable financial health and 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 "Surviving the storm: how resilient are local authorities?" and updated in ''2016 tipping point? Challenging the current'' identified best practice as follows:

- The Authority 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 In determining the appropriate level of General Fund 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 and Interest Rates
- Grants
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims

2.5 The report to Cabinet on the 2013/14 budget on 28 November 2012 detailed the new approach and the minimum General Fund balance in relation to the risks faced by, and the financial circumstances of Wirral, so that the Council could work towards funding an increased level of Reserves. This was then updated in the report of 18 February 2013.

FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION

2.6 The Revenue Monitoring throughout 2013/14 has shown that that the Budget Is continuing to be delivered within the resources available with a projected underspend for the year. The process for the 2014/15 Budget has been enhanced to further improve the projections having regard to the timing of delivery and possible double-counting, whilst also improving the mechanisms to ensure the successful delivery of savings.

2.7 Based upon the approach set out above and having regard to both the current financial position and the Budget for 2014/15 and beyond the calculation has been updated and is detailed in the Annex.

SUMMARY OF THE ASSESSED GENERAL FUND BALANCES

	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Assessed level February 2013	13.0	17.7	13.1	-
Assessed level February 2014	13.0	17.3	15.4	13.9

2.8 The February 2014 assessment for 2014/15 is largely in line with that projected in February 2013. This included revisions to the risks in relation to social care which is also linked to the risk around the in-year achievement of the agreed Budget Savings / reductions which is then reflected in future years. The Budget Savings include those connected with Re-Modelling and Re-Structuring the Council forecast for implementation in mid 2014/15 and also includes Commissioning and Procurement.

2.9 The revised 2013/14 General Fund balance risk calculation was for a minimum of £13 million at 31 March 2014 and the level to be achieved is £17.3 million. The latest Monitoring Report (December 2013 - Month 9) showed:-

SUMMARY OF THE PROJECTED GENERAL FUND BALANCES

Details	£m	£m
Projected balance 31 March 2014 when Budget set 2013/14		+13.6
Add: Increase following completion of 2012/13 accounts	+3.6	
Add: Potential underspend, at M9	+1.0	+4.6
Less: Funding of energy increase 2013/14	-0.2	
Less; Funding for Storm damage and cleansing	-0.3	
Less: Restoration of reserve transfer	-0.5	-1.0
Projected balance 31 March 2014		17.2

2.10 Based upon the revised target for 31 March 2014 the current projections show this as being achievable.

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 part of the move to improve 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 as assessment of risk against a series of key areas as detailed in section 2.4. This 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 balances based on the level of regular Council expenditure and income eg 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 Agree:

a) 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.

b) The Council maintains it level of balances at, or above, the locally determined level of General Fund balances.

RISK BASED ASSESSMENT OF THE LEVEL OF GENERAL FUND BALANCES — ANNEX

Area of Risk	2013/14			2014/15			2015/16			2016/17		
	Budget £000	**Risk Level %**	**Value £000**	**Budget £000**	**Risk Level %**	**Value £000**	**Budget £000**	**Risk Level %**	**Value £000**	**Budget £000**	**Risk Level %**	**Value £000**
Legislative Changes												
Total Formula Grant / Localised Business Rates	136,053	0.00%	0.0									
Local Business Rates				32,525	2.00%	650.5	33,276	2.00%	665.5	33,276	2.00%	665.5
Council Tax Benefit	28,124	5.00%	1,406.2	23,800	2.00%	476.0	23,800	2.00%	476.0	23,800	2.00%	476.0
C Tax Grant Reduction	3,125	0.00%	0.0	0	0.00%	0.0	0	0.00%	0.0	0	0.00%	0.0
Technical Changes to Council Tax		Calc	-400.0	2013/14								
Public Health Transfer	22,000	0.00%	0.0	2013/14								
Health & Social Care Bill	15,000	0.00%	0.0	2015/17			12,000	2.00%	240.0	12,000	2.00%	240.0
Waste Levy - 50% recycling by 2020	14,687	3.00%	440.6	14,687	3.00%	440.6	14,687	3.00%	440.6	14,687	3.00%	440.6
Discretionary Social Fund	6,751	5.00%	337.6	2013/14								
Single Status	3,500	3.00%	105.0	3,750	3.00%	112.5	3,000	3.00%	90.0	3,000	3.00%	90.0
	229,240		**1,889.4**	**74,762**		**1,679.6**	**86,763**		**1,912.1**	**86,763**		**1,912.1**
Inflation												
Employees	142,936	0.10%	142.9	129,115	0.10%	129.1	129,938	0.10%	129.9	129,938	0.10%	129.9
Premises	22,180	0.75%	166.4	17,146	0.75%	128.6	16,796	0.75%	126.0	16,796	0.75%	126.0
Transport	8,556	1.00%	85.6	7,222	1.00%	72.2	6,786	1.00%	67.9	6,786	1.00%	67.9
Supplies	113,960	1.00%	1,139.6	117,211	1.00%	1,172.1	115,257	1.00%	1,152.6	115,257	1.00%	1,152.6
Services	92,438	0.50%	462.2	119,558	0.50%	597.8	118,933	0.50%	594.7	118,933	0.50%	594.7
Transfer	163,072	1.00%	1,630.7	140,727	1.00%	1,407.3	140,727	1.00%	1,407.3	140,727	1.00%	1,407.3
Capital Programme	2014/17			44,000	1.00%	440.0	44,000	1.00%	440.0	44,000	1.00%	440.0
	543,142		**3,627.4**	**574,979**		**3,947.1**	**528,437**		**3,918.3**	**528,437**		**3,918.3**
Interest Rates												
Borrowing	12,644	0.00%	0.0	12,644	0.00%	0.0	12,644	0.00%	0.0	12,644	0.00%	0.0
Investment	875	0.00%	0.0	875	0.00%	0.0	875	0.00%	0.0	875	0.00%	0.0
	13,519		**0.0**	**13,519**		**0.0**	**13,519**		**0.0**	**13,519**		**0.0**

Area of Risk	2013/14			2014/15			2015/16			2016/17		
	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000	Budget £000	Risk Level %	Value £000
Grants												
Housing Benefits incl Admin Grant	138,273	0.50%	691.4	140,036	0.50%	700.2	140,727	0.50%	703.6	140,727	0.50%	703.6
Other G Fund Grants	73,113	0.50%	365.6	62,486	1.00%	624.9	60,286	0.50%	301.4	58,086	0.50%	290.4
	211,386		**1,056.9**	**202,522**		**1,325.0**	**201,013**		**1,005.1**	**198,813**		**994.1**
Volume / Demand Changes												
Capital Receipts	3,000	2.00%	60.0	3,000	2.00%	60.0	3,000	2.00%	60.0	3,000	2.00%	60.0
Customer/Client Receipts	47,124	0.50%	235.6	47,808	1.00%	478.1	47,808	0.50%	239.0	47,808	0.50%	239.0
Social Care	89,140	0.25%	222.9	89,140	2.00%	1,782.8	89,140	2.00%	1,782.8	89,140	2.00%	1,782.8
Collection Fund	132,911	0.25%	332.3	111,357	0.25%	278.4	111,357	0.25%	278.4	111,357	0.25%	278.4
Winter Pressures	400	50.00%	200.0	400	50.00%	200.0	400	50.00%	200.0	400	50.00%	200.0
	272,175		**1,050.7**	**251,305**		**2,799.3**	**251,305**		**2,560.2**	**251,305**		**2,560.2**
Budget Savings												
Budget Reductions	**38,988**	**13.00%**	**5,068.4**	**45,000**	**15.00%**	**6,750.0**	**35,139**	**15.00%**	**5,270.9**	**25,118**	**15.00%**	**3,767.7**
Insurance Claims												
MMI Liabilities	498	2.00%	10.0	498	5.00%	24.9	498	5.00%	24.9	498	5.00%	24.9
Legal Liabilities	9,723	2.00%	194.5	10,000	2.00%	200.0	9,723	2.00%	194.5	9,723	2.00%	194.5
Self Insured Liabilities	2,977	2.00%	59.5	2,977	2.00%	59.5	2,977	2.00%	59.5	2,977	2.00%	59.5
	13,198		**264.0**	**13,475**		**284.4**	**13,198**		**278.9**	**13,198**		**278.9**
Energy and Resilience												
Infrastructure failure	**2014/17**			**3,000**	15.00%	450.0	**3,000**	15.00%	450.0	**3,000**	15.00%	450.0
Carbon Tax Legislation	**245**	20.00%	49.0	**294**	20.00%	58.8	**250**	20.00%	50.0	**250**	20.00%	50.0
TOTAL			**13,005.8**			**17,294.2**			**15,445.4**			**13,931.3**

APPENDIX 5

REVIEW OF RESERVES AND PROVISIONS

1.0 EXECUTIVE SUMMARY

1.1 This report is the mid-year review of the amounts held in balances, provisions and reserves. It recommends the release of those provisions and reserves which are no longer required to the General Fund balance.

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 monthly Monitoring reports presented to Cabinet and to the Policy & Performance Committees include reference to resources held on the Balance Sheet in the form of provisions and reserves.

PROVISIONS AND RESERVES

2.2 Resources set-aside for specific purposes as provisions and 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 and all provisions and reserves are reviewed at least twice a year.

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

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

. **PROVISIONS**

2.5 Provisions are amounts set aside for any material liabilities or losses that are likely or certain to be incurred but the exact amounts and dates are not currently known. These are further analysed for accounting purposes between short-term and long-term provisions.

2.6 Annex 1 provides details of all existing provisions including a narrative for the significant items together with details of their usage during the current financial year, those required to be retained for the purposes intended and those which are no longer required and can be released to the General Fund balance.

RESERVES

2.7 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.

2.8 Annex 1 provides details of all existing reserves including an explanatory narrative together with details of the usage during the current financial year, those required to be retained for the purposes intended and those which are no longer required and can be released to the General Fund balance.

2.9 With the Council undertaking a major remodelling in order to deliver the Council Vision for 2016 resources are needed to help achieve this aim. It is proposed to create a Remodelling Reserve from the reserves released by Directorates as no longer being required together with the transfer of two reserves namely the Budget Support and Local Pay reserves. Cabinet has also agreed that any Revenue Budget underspend in 2013/14 with be used to replenish balances and any additional sum be allocated to the Remodelling / Restructuring Reserve.

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 2013/14 the Council held over £64 million in earmarked reserves and over £13 million of service provisions.

4.2 With available reserves transferred to the Remodelling Reserve there will be no sums returned to General Fund balances. The Reserve will initially comprise of £9.9 million being the £3.7 million released by Directorates, the £4.2 million from the Budget Support 2014/15 reserve and £2 million from the Local Pay reserve.

5.0 RECOMMENDATIONS

5.1 That the release of Reserves by Directorates be agreed.

5.2 That a Remodelling / Restructure reserve be created from the reserves released together with the amalgamation of the Budget Support 2014/15 and Equal Pay reserves.

REVIEW OF PROVISIONS AS AT JANUARY 2014

Directorate	Brief Description and summary code	Opening 2013/14	Use/Required 2013/14	Release
Families & Well Being – CYP	CP051 - A/MGMT - Carbon Reduction Commitment	-487,570.00	-487,570.00	
	Total	-487,570.00	-487,570.00	0.00
Families & Well Being – DASS	SPP03 – Supported Living Accommodation	-493,297.09	-493,297.09	
	SPP04 - Harvest Court Lease	-37,694.00	-37,694.00	
	Total	-530,991.09	-530,991.09	0.00
Regeneration & Environment	CP046 - Land Charges Provision	-249,614.00	-249,614.00	
	CP050 - Big Grants	-14,453.40	-14,453.40	
	Total	-264,067.40	-264,067.40	0.00
Transformation & Resources	FP001 - HB Invoiced Overpayments	-7,017,378.84	-7,017,378.84	
	FP006 - Provision For Bad Debts	-10,900,137.18	-10,900,137.18	
	FP007 - Summons Costs Bad Debts - Council Tax	-433,042.72	-433,042.72	
	FP010 - Summons Costs Bad Debts - NDR	-56,710.33	-56,710.33	
	FP015 - Transformational Change Support	-109,100.00	0.00	109,100.00
	FP018 - Severance Pay	-4,474,180.63	-4,474,180.63	
	Total	-22,990,549.70	-22,881,449.70	109,100.00
Insurance/Tax/Misc	IF022 - M.M.I. Run Off	-85,000.00	-85,000.00	
	IF028 - Pl/El/Pi Reserve	-1,549,999.91	-1,549,999.91	
	NR002 - CTX - Police Restatement	901,407.75	901,407.75	
	NR003 - CTX – Fire Restatement	403,168.70	403,168.70	
	NR055 - CTX – Bad Debts Council Tax	-8,802,810.02	-8,802,810.02	
	Total	-9,133,233.48	-9,133,233.48	0.00
Chief Executive & Corporate	CP018 - Area Forum Funding	-186,692.97	-186,692.97	
	CP030 - EVR Costs	-7,182.38	-7,182.38	
	CP032 - You Decide	-306,000.00	0.00	306,000.00
	CP037 - LAA Network Support	-134,000.00	0.00	134,000.00
	Total	-633,875.35	-193,875.35	440,000.00
	Total Provisions less than one year	**34,040,287.02**	**33,491,187.02**	**549,100.00**
Regeneration & Environment	CP026 – Employment Land Study	-7,430.00	-7,430.00	
	CP040 - Merseyside Habitats Regulations	-14,965.36	-14,965.36	

	Total	-22,395.36	-22,395.36	0.00
Insurance/Tax/Misc	IF028 - Pl/El/Pi Reserve	-5,217,591.00	-5,217,591.00	
	Total	-5,217,591.00	-5,217,591.00	0.00
	Total Provisions over one year	**-5,239,986.36**	**-5,239,986.36**	**0.00**
Total Provisions		**39,280,273.38**	**38,731,173.38**	**549,100.00**

REVIEW OF RESERVES AS AT JANUARY 2014

Directorate	Brief Description and summary code	Opening 2013/14	Use/Required 2013/14	Release
Families & Well Being – CYP	CR002 - A/MGMT -Birkenhead Registrars Renovation	-16,500.00	-16,500.00	
	CR006 - A/MGMT - Leasowe Millennium Centre	-72,189.51	-72,189.51	
	CR012 - CYP - C Exec Community Fund	-26,260.00	-26,260.00	
	CR015 - A/MGMT - Admin Bldg Rep Fund	-48,349.01	-48,349.01	
	CR016 - A/MGMT - Managed Properties Rep Fund	-24,964.66	-24,964.66	
	CR025 - A/MGMT – Sustainability	-10,000.07	-10,000.07	
	CR027 - A/MGMT - Asset Review	-114,485.45	-114,485.45	
	CR029 - A/MGMT - Property Maint Disabled Access	-12,155.59	-12,155.59	
	CR044 - A/MGMT - Community Fund CAT	-2,146,188.39	-2,146,188.39	
	CR045 - A/MGMT - Community Energy Efficiency Fund	-833.75	-833.75	
	CR060 - A/MGMT – PPM	-463,179.81	-463,179.81	
	E0074 - CYP - India Exchange	-1,302.67	-1,302.67	
	ER002 - CYP - Childrens LCL safeguarding	-31,280.79	-31,280.79	
	ER012 - SCHOOLS - Nursery Education Grant	-108,000.00	-108,000.00	
	ER112 - SCHOOLS - Schools Balances C/Fwd	-10,550,316.94	-10,550,316.94	
	ER113 - CYP – DAT Pooled Budgets (Res)	-97,934.88	-97,934.88	
	ER115 -SCHOOLS - Schools Excess Balances	-9,504.00	-9,504.00	
	ER116 - SCHOOLS -Schools Special Contingency C/Fd	-369,569.26	-369,569.26	
	ER117 - CYP- Childrens Workforce Development Council	-9,678.46	-9,678.46	
	ER118 - SCHOOLS - Schools Harmonisation Costs	-668,258.84	-668,258.84	
	ER119 - SCHOOLS - DSG Carry Forward	-472,217.48	-472,217.48	
	ER121 - CYP – Help for Young People	-20,000.00	-20,000.00	
	ER160 - SCHOOLS -Cash Management Schools	-1,386,412.00	-1,386,412.00	
	ER178 - CYP CAPITAL Forcap For Cap Prog	-62,906.68	-62,906.68	

	ER190 - CYP CAPITAL Cash Management Seed Pta	-57,190.00	-57,190.00	
	ER199 - CYP - Adoption & Fostering Reserve	-7,143.15	-7,143.15	
	ER201 - CYP - School Improvement IT Programme	-41,012.00	-41,012.00	
	ER601 - CYP CAPITAL -PFI Capital Reserve	-85,729.71	-85,729.71	
	ER684 - CYP CAPITAL Cap Financing Contrib's	-20,000.00	-20,000.00	
	ER687 - CYP CAPITAL - Woodchurch	-2,077.05	-2,077.05	
	ER740 - SCHOOLS -LSG-PLESSINGTON HIGH	-1,300.00	-1,300.00	
	ER751 - SCHOOLS - Automatic Meter Readers	-415,000.00	-415,000.00	
	ER754 - CYP - School Improvement Reserve	-64,364.64	-64,364.64	
	ER755 - CYP – Music Service Income	-97,525.97	-97,525.97	
	ER758 - CYP – ASB Reserve	-33,818.00	-33,818.00	
	ER763 - CYP - CAMHS Reserve	-24,313.81	-24,313.81	
	ER765 - SCHOOLS - MUGA Wirral Hospital School	-17,800.55	-17,800.55	
	ER767 - CYP – Stay, Work, Learn Wise	-907,820.00	-907,820.00	
	ER768 - CYP - YPLA / LSC Funding Balance	-74,861.85	-74,861.85	
	ER769 - SCHOOLS - CLC Contingency	-115,170.98	-115,170.98	
	ER770 - SCHOOLS - AST Contingency	-136,390.26	-136,390.26	
	ER771 - CYP – CWDC	-558,592.57	-558,592.57	
	ER772 - SCHOOLS - Premature Retirement Costs	-108,567.98	-108,567.98	
	ER774 - SCHOOLS - DSG Contingency	-193,795.19	-193,795.19	
	ER802 - CYP CAPITAL -Bebington High	-4,100.82	-4,100.82	
	ER803 - CYP CAPITAL - Hilbre High	-10,551.76	-10,551.76	
	ER805 - CYP CAPITAL - Oldershaw	-17,178.23	-17,178.23	
	ER806 - CYP – YOS - Multi Systemic Therapy	-151,664.84	-151,664.84	
	ER808 - CYP - Childrens Centre Income Reserve	-198,646.42	0.00	198,646.42
	ER812 - CYP CAPITAL - Brookdale Primary	0.87	0.87	
	ER817 - CYP CAPITAL -Birkenhead Academy	-68,931.00	-68,931.00	
	ER818 - CYP CAPITAL - Gayton	-55,266.62	-55,266.62	
	ER820 - CYP CAPITAL - Irby Primary	-21,000.00	-21,000.00	
	ER825 - CYP CAPITAL - Pensby Primary	-28,095.00	-28,095.00	
	ER829 - CYP CAPITAL - Somerville	-113,000.00	-113,000.00	
	ER830 - CYP CAPITAL - Ridgeway Roof	-9,000.00	-9,000.00	
	ER831 - CYP CAPITAL - Park Primary	-15,000.00	-15,000.00	
	ER832 - CYP - Get Involved	-61,952.00	-61,952.00	
	ER833 - CYP - Intensive Family Intervention Project	-871,434.43	-871,434.43	

	ER834 - CYP - Child Poverty	-350,000.00	-350,000.00	
	ER835 - CYP - Children's Improvement Board	-5,000.00	-5,000.00	
	LR231 - A/MGMT - Caretakers Lodges Repairs	-34,332.13	-34,332.13	
	LR417 - A/MGMT - Allotments Officer	-15,000.34	-15,000.34	
	R8240 - A/MGMT - Strategic Asset Review	-250,799.00	-250,799.00	
	TP008 - CYP CAPITAL - Vehicle Purchase	-157,750.00	-157,750.00	
	TP017 - A/MGMT - Energy Conservation	-50,000.00	-35,400.00	14,600.00
	TP025 - H&S - Armed Forces - Welfare Pathway	-22,003.49	-20,000.00	2,003.49
	TP026 - H&S - Flooding Prevention	-166,515.49	-166,515.49	
	TP029 - H&S - Occupational Health - Staff Replacement	-5,300.46	-5,300.46	
	Total	-22,367,483.11	-22,152,233.20	215,249.91
Families & Well Being - DASS	SR001 - SHE Royden Park Scheme	-4,611.12	-4,611.12	
	SR002 - Heswall Day Centre	-7,331.11	-7,331.11	
	SR005 – Mapleholme Donation	-264.24	-264.24	
	SR007 - Star Design Donation	-5,860.00	-5,860.00	
	SR008 – Cambridge Road Day Centre	-414.40	-414.40	
	SR009 - Balls Road Birkenhead Supported Living	-36,042.17	-36,042.17	
	SR010 - North Road Birkenhead Supported Living	-10,314.02	-10,314.02	
	SR103 - Person Centred Plan	0.22	0.22	
	SR109 - FUNDING FOR END OF LIFE CARE	-13,164.00	-13,164.00	
	SR110 - DASS Development Programme	-38,222.53	-38,222.53	
	Total	-116,223.37	-116,223.37	0.00
Families & Well Being - Sports & Rec	LR202 - Sports Centre Contingency	-50,000.00	-50,000.00	
	LR412 - PCT - Physical Activities Grant	-103,500.07	-103,500.07	
	TP019 - Leisure Equipment	-48,555.80	-48,555.80	
	Total	-202,055.87	-202,055.87	0.00
Regeneration & Environment	CR018 - Local Develop F/Work PDG	-221,559.68	-221,559.68	
	CR026 - Seaside Town Strategy	-20,891.00	-20,891.00	
	CR030 - West Wirral Schemes	-230,276.17	-230,276.17	
	CR040 - HRA Loan Repayments	-36,379.38	-36,379.38	
	CR056 - ERDF 4.2 Match Funding	-444,249.53	-444,249.53	
	CR058 - BIG Capital Grants	-342,010.00	-342,010.00	
	CR064 - Trading Standards Modern Apprentices	-59,229.00	-59,229.00	
	CR065 - Licensing Legal Costs	-40,000.00	-40,000.00	
	CR066 - Empty Prop Council Tax	-44,471.94	-44,471.94	

	CR067 - Trading Standards	-117,388.00	-117,388.00	
	CR068 - Environmental Health	-30,021.00	-30,021.00	
	CR069 - Community Patrol	-100,000.00	-100,000.00	
	LR140 - Art Fund	-30,332.86	-30,332.86	
	LR143 - Rangers Activities	-54,014.64	-54,014.64	
	LR144 - Hilbre Island - Sec 106	-21,172.04	-21,172.04	
	LR196 - Reeds Lane Play - Sec 106	-60,536.00	-60,536.00	
	LR199 - NOF Transform Space C7317	-83,095.46	-83,095.46	
	LR222 - Outdoor Gyms	-197,848.00	-197,848.00	
	LR260 - Golf Development reserve	-619.03	-619.03	
	LR306 - Beechwood Park Play Area - Sec 106	-61,151.89	-61,151.89	
	LR408 - Beechwood Community Spaces S106	-100,000.00	-100,000.00	
	R5000 – Supporting People Grant Admin	-109,033.05	-109,033.05	
	R5002 – Supporting People Grant Programme	-995,703.52	-795,703.52	200,000.00
	R8004 - Taxi Demand Survey	-80,495.00	-80,495.00	
	R8007 - New Homes Bonus	-156,360.00	-156,360.00	
	R8012 - Wirral Executive	-9,919.92	-9,919.92	
	R8019 - Dog Fouling	-2,731.00	-2,731.00	
	R8026 - Dog Wardens Bequests	-2,236.29	-2,236.29	
	R8034 - Psl Tenancy Deposits	-23,279.65	-23,279.65	
	R8035 - Group Repair Scheme	-123,344.43	-123,344.43	
	R8036 – HMRI	-154,216.64	-154,216.64	
	R8041 - Wirral H I A	-517,997.13	-495,269.00	22,728.13
	R8072 - Community Safety Initiatives	-162,647.74	-162,647.74	
	R8073 - HMO Licence Fees	-60,884.23	-60,884.23	
	R8074 - Homeless Prevention	-271,063.59	-271,063.59	
	R8075 - Cosyhomes Insulation	-150,000.00	-150,000.00	
	R8077 - Housing Priority Panel	-98,579.56	-98,579.56	
	R8078 - Financial Assistance Fees	-14,820.00	-14,820.00	
	R8079 - Neptune S.106 Works	-21,333.00	-21,333.00	
	R8080 - DCLG Empty Shops Grant	-44,212.00	-44,212.00	
	R8081 - Challenge Fund Properties	-80,811.28	-80,811.28	
	R8082 - Worklessness Programme	-1,084,809.00	-1,084,809.00	
	R8083 – Apprentice Programme Phases 2 & 3	-545,764.00	-545,764.00	
	R8084 - Unlawful Subletting/Under Occupation Project	-60,000.00	-60,000.00	

	R8260 - WNF Balance	-760,898.08	-760,898.08	
	R8300 - Heritage Fund	-95,874.56	-95,874.56	
	T1106 - Insurance Contribution - Highway Safety	-54,581.59	-54,581.59	
	TP001 - 20 mph Zones	-29,398.00	-29,398.00	
	TP003 - Wheelie Bin Replacement	-31,542.30	-31,542.30	
	TP007 - Energy Investment	-4,735.46	-4,735.46	
	TP014 - IT Upgrade	-256.17	-256.17	
	TP021 - Birkenhead Park - bridge repair	-13,000.00	-13,000.00	
	TP022 – BikeSafe	-6,375.30	-6,375.30	
	TP023 - Street Cleansing - You Decide	-3,000.00	-3,000.00	
	TP024 - Deep Cleanse (Keep It Local)	-8,556.89	-8,556.89	
	TP027 - Asset Management	-39,234.22	-39,234.22	
	TS068 - Hiways Write Off Fund	-15,993.59	-15,993.59	
	Total	-8,128,932.81	-7,906,204.68	222,728.13
Transformation & Resources	CR001 - Coroners Office	-79,569.34	-79,569.34	
	CR011 - Local Pay Review	-2,296,110.15	-296,110.15	2,000,000.00
	CR023 - H R Occ Health New Deal	-0.08	-0.08	
	CR028 - Legal Case Mgmt System	-11,545.80	-11,545.80	
	CR036 - EAT / RAT Dev Portal	-38,604.31	0.00	38,604.31
	CR059 - M I E P	-69,320.56	0.00	69,320.56
	FR002 - Finance Training Reserve	-40,000.22	0.00	40,000.22
	FR008 - One Stop Shop I T Networks	-1,877,685.36	-1,877,685.36	
	FR009 - Intranet Development	-1,632,554.80	-1,632,554.80	
	FR012 - Housing Benefit	-7,718,294.68	-5,518,294.68	2,200,000.00
	FR015 – PRINTING UNIT	-35,444.57	-35,444.57	
	FR018 - HB/CT Liabilities	-2,436,385.19	-2,436,385.19	
	FR024 - ITS Replacement Programme Reserve	-1,528,804.50	-1,528,804.50	
	FR025 - Schools Broadband	-76,500.00	-76,500.00	
	FR027 - Efficiency Investment Rolling Fund	-2,000,000.00	-2,000,000.00	
	FR029 - Public Health Innovation Fund	-40,040.04	-40,040.04	
	FR030 – Severance Pay	-1,025,819.37	-1,025,819.37	
	FR108 - Schools Service IT Reserve	-294,180.81	-294,180.81	
	FR109 - 2014/15 Budget Support	-4,200,000.00	0.00	4,200,000.00
	Total	-25,400,859.78	-16,852,935.19	8,547,925.09
Insurance/Tax/Misc	IF018 - Motor Reserve B/F	-200,000.00	-200,000.00	

	IF020 - Fire Reserve B/F	-2,500,000.00	-2,500,000.00	
	IF021 - Civil Contingency Fund	-1,500,000.00	-1,500,000.00	
	IF022 - M.M.I. Run Off	-412,581.79	-412,581.79	
	IF023 - Contaminated Land	-500,000.00	-500,000.00	
	IF024 - Risk Management	-144,400.00	-144,400.00	
	IF028 - Pl/El/Pi Reserve	-1,059,307.36	-1,059,307.36	
	IF046 - P I Reserve	-50,000.00	-50,000.00	
	IF047 - Claims Mgmnt Reserve	-150,000.18	-150,000.18	
	IF051 - PFI Balance of Risks	-51,998.00	-51,998.00	
	IF052 - Budget Surplus / Deficit	-108,722.48	-108,722.48	
	IF053 - Interest on PIC	-9,999.91	-9,999.91	
	IF056 - Uninsured Liability	-1,010,145.04	-1,010,145.04	
	IF103 - Plate Glass Insurance Fund	-40,000.00	-40,000.00	
	IF104 – Equipment Insurance Fund	-75,000.00	-75,000.00	
	IF105 - Fidelity Fund	-9,000.00	-9,000.00	
	Q0023 - Ex HRA Contingency Reserve	-40,000.00	0.00	40,000.00
	Total	-7,861,154.76	-7,821,154.76	40,000.00
Chief Executive & Corporate	CR014 - Investment Marketing Campaigns	-90,000.00	-90,000.00	
	CR022 - EVR Costs	-47,429.31	-47,429.31	
	CR032 - LAA Reward Grant - Revenue	-322,347.07	0.00	322,347.07
	CR038 - Discover Wirral Marketing Campaigns	-90,000.00	-90,000.00	
	CR047 - The Open 2014	-50,000.00	-50,000.00	
	CR048 - Wirral MCO Strategic Leadership	-30,000.00	-30,000.00	
	CR061 - ERDF Wirral Events MF	-15,405.99	-15,405.99	
	CR062 - Wirral Visitor Guide	-21,000.00	-21,000.00	
	CR063 - Wirral Attractions Group	-750.05	-750.05	
	FR028 - Public Health Implementation Fund	-32,367.55	-32,367.55	
	Total	-699,299.97	-376,952.90	322,347.07
Total Reserves		**64,776,009.67**	**55,427,759.97**	**9,348,250.20**

APPENDIX 6

BUDGET 2014/15 - CHIEF FINANCIAL OFFICER STATEMENT

1.0 EXECUTIVE SUMMARY

1.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (Director of Resources) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves.

2.0 BACKGROUND AND KEY ISSUES

2.1 The budget setting process sets out to estimate spend and income based on the combined effect of many assumptions, projections, estimates and uncertainties. These are based on a professional analysis at a point in time supported by comprehensive risk assessment. The finances of any organisation are subject to constant change and review and their integrity is based on balancing accuracy and certainty with the uncontrollable aspects of the economy, the environment and demand.

2.2 This Statement is designed to give Members a reasonable assurance that the Budget has been based on the best available information and assumptions. Variances are a fact of life, the financial soundness of the authority is dependant on responding quickly to variances, identifying pressures early and being agile about resolutions. In addition, there is a need to maintain an adequate level of reserves to allow for unplanned events; balancing the need to be financial prudent with a desire to use funds for the overall benefit of the Wirral Community. Holding reserves at too high a level can be too risk averse but equally in a time of such severe austerity and constrained flexibility it is imperative that sufficient reserves are held to mitigate risks of overspend, phasing of savings and unplanned events.

2.3 In order to meet the robustness requirement a number of key processes were put into place, including:

- the issuing of clear guidance on preparing budget growth and savings options for the three year period 2014/17.
- peer review by finance staff involved in preparing the standstill [base] budget namely the existing budget plus necessary inflation.
- the use of budget monitoring, and re-alignment of budgets with current demand for 2013/14 and future years.
- a review by the Chief Executive Strategy Group, supported by a series of officer challenge sessions, of proposed savings and their achievability.
- a Member review and challenge of each proposal through the Policy & Performance Committees and Cabinet.
- the Director of Resources providing advice throughout the process on robustness, including inflationary factors, avoiding unallocated savings

and reflecting current demand and service standards (unless standards and eligibility are to be changed through a change in policy).

- extensive consultation with the public and various groups including the voluntary sector and community and faith groups.

2.4 Besides these arrangements, which are designed to test the Budget throughout its various stages of development, considerable reliance is placed on Managers having proper arrangements in place to identify issues, project demand for services, and consider value for money and efficiency. Directors and managers are accountable for their budgets, for managing demand and for highlighting emerging pressures.

2.5 A key part of improving these processes is the ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both. This will also assist with the Council's Medium Term Financial Strategy.

3.0 RELEVANT RISKS

3.1 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 4 details the risk assessment on General Fund balances.

3.2 Risks in relation to the Revenue Budget and Capital Programme flow from the assumptions in the Annex and will be kept under review as part of the Financial Monitoring Reports to Cabinet throughout the 2014/15 financial year.

ROBUSTNESS OF THE REVENUE ESTIMATES

3.3 The 2014/15 Budget process improved further upon that in place for 2013/14 including a robust process to identify, review and assess both growth and savings proposals. This saw the production of proposals from the Chief Executive which were subject to public consultation and review by Elected Members.

3.4 Cabinet considered, and agreed, proposals in December 2013 to assist in the production of a balanced Revenue Budget for 2014/15. This now has to be formally concluded along with the identified areas for 2015/17 that seek to address the deficits in these years. The development of the Medium Term Financial Plans will improve the 2015/17 savings and efficiency proposals. The Annex shows the factors taken into account in developing the draft Budget.

3.5 In assessing the robustness of Revenue Budgets, the achievability of savings / reductions and income It is expected that the key risks remaining will be:

- Changes to staffing including equal pay as the Council has yet to conclude its equal pay arrangements.

- The ongoing impact of the economic downturn including increasing demand for services, reducing grant funding and reducing income from charges.
- The confirmation of Government grants, of which a number remain currently unknown.
- The actual delivery of the approved savings and efficiencies and, in particular those relating to Remodelling the Council, Social Services and commissioning/procurement.
- Changes to the Capital Programme, to achieve the policy objective of eliminating Prudential Borrowing;
- The delivery within budget of key housing, schools and regeneration capital schemes.
- 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 as the new schemes start to have an effect.
- On-going management of demand from an increasingly older population.

3.6 These assumptions and potential changing circumstances, including the potential changes in respect of social care provision and funding, will require the forecasts for future years to be reviewed early each financial year. This will lead to 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 of each financial year.

ROBUSTNESS OF THE CAPITAL PROGRAMME

3.7 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.

3.8 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.

3.9 These are the main risks:-

- The ability to deliver the Programme within the agreed timescales. Slippage from 2013/14 is fully funded, as is any re-profiling of schemes, but this will increase pressure on the Council to deliver the anticipated 2014/15 Programme.

- The future Programme includes new starts based on the availability of resources. The Council has a number of significant asset disposals planned over the next 2-3 years and in today's climate, the capital receipts may be higher / lower than expected, which will have to be managed.

- The lack of capacity to manage large schemes as well as the on-going risk that there are insufficient capital receipts to fund future schemes alongside a reduced ability to fund capital financing from a constrained revenue budget.

ADEQUACY OF THE GENERAL FUND BALANCES AND RESERVES

3.10 Cabinet on 29 November 2012 agreed to a different approach to determining the level of General Fund balances and reserves. This recommended a locally determined approach based upon an assessment of the financial risks that the Council may face in the future. The Level Of General Fund Balances for 2014/15 is referred to in the main report.

4.0 RESOURCE IMPLICATIONS

4.1 In the Future Financial Position report to Cabinet on 10 December 2013 the Budget Projections 2014/17 indicated a shortfall between spend and resources of £83 million.

Table 1 : Summary of the Budget Funding Gap

Funding Gap	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m
Forecast Expenditure (including demographic changes)	300.3	288.1	275.1	863.5
Forecast income (including reduced grants)	272.8	257.4	250.0	780.2
Forecast Funding Gap	27.5	30.7	25.1	83.3

4.2 Cabinet agreed savings options totalling £27.5 million for 2014/15 on 10 December 2013 which were agreed by Council on 16 December 2013. These included a Council Tax rise of 2% from April 2014 and additional funding to the Council Tax Support Scheme as a consequence of that increase which were subject to further consideration by Cabinet once the Local Government Finance Settlement was received.

4.3 Since the December Cabinet meeting new information has been received about the Finance Settlement, Council Tax Freeze Grant and Council Tax setting arrangements. The proposals in the main 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.

5.0 RECOMMENDATIONS

5.1 That the Statement of the Chief Finance Officer be noted.

ANNEX

ANALYSIS OF ROBUSTNESS OF REVENUE ESTIMATES

Budget Assumption	Financial Standing and Management
1. The treatment of growth pressures	Two major demand factors affect the 2014/17 budgets:- • 2012/13 budget pressures continued into 2013/14 and future years. A number of pressures identified through the 2012/13 budget monitoring including bad budgets arising from the failure to address recurring overspends. • Demographic demand pressures have been identified within Social Care - the elderly, children and the vulnerable. The 2014/15 Budget has been based upon 2013/14 budget monitoring reports and projections made by Managers of demand in future years.
2. The treatment of inflation and interest rates.	Pay – 1% has been provided in the 2014/15 Budget and future years for pay awards for staff. The overall planning totals have provided for an estimate for the implementation of equal pay. Pensions – Employer rates fully reflect the most recent actuarial review which took place in 2013. Price inflation is only been provided on contractual arrangements at the rate stated in the relevant agreement. Price inflation has also been applied to utility budgets in 2013/14 and 2014/15.
3. Surplus cash balances (income, capital, receipts and grants)	At any time the Council will have a number of positive cash income streams, such as capital receipts and government grants, etc. These will be invested as part of cash flow management activities undertaken by Treasury Management. This investment income supports the revenue budget for 2014/15. Cash investments can be liquidated at short notice and are available at any point in time to meet the Council's day-to-day requirements for cash funding.
4 The treatment of income	Changes to fees and charges have been presented as individual budget options and have generally been reviewed in light of prevailing inflation. In 2013/14 adjustments of £4 million were made to reduce unrealistic / undeliverable income targets.
5. The treatment of efficiency savings / productivity gains.	All Managers have a responsibility to ensure the efficient delivery of services and, when savings are proposed, they are realistic in terms of the level and the timing. Should these vary due to unforeseen events management action or policy actions within the relevant Directorates, or corporately, will be implemented.
6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be considered in future years' budgets and General Fund balances restored to at least the minimum prudent level. Responsibility for Public Health transferred to the Council from 1 April 2013. For 2014/15 funding has been provided by the Government in the form of a specific grant to cover the costs. From 1 April 2013 the Council had responsibility for a Local Council Tax Support Scheme and a Local Welfare Assistance Scheme. Additionally Government funding changes gave the Council a financial incentive /

Budget Assumption	Financial Standing and Management
	pressure in relation to Business Rates. These placed additional risks upon the Council which have been assessed in the level of General Fund balances. The savings proposals for 2014/15 onwards include significant savings in respect of Remodelling The Council and the development of Shared Services. The risks have been assessed in the level of General Fund balances.
7. The availability of other funds to deal with major contingencies	The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily but restored to at least their minimum prudent level or the optimal level through future budgets. This risk based approach is set out in a separate report on General Fund balances.
8. The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)	The Council acts to manage its borrowing prudently and in accordance with statutory guidance regarding affordability and sustainability with regard to debt expenses incurred in its revenue account. This is achieved through the Treasury Management Strategy and Investment Policy approved by Council each year. The level of borrowing is restrained through reducing the need for unsupported borrowing so the Capital Programme seeks to minimise new borrowing. The additional costs of financing this debt are built into the 2014/15 budget and future Medium Term Financial Strategy assumptions and are contained within the overall parameters set by the Council for prudential borrowing, The assumed Council Tax collection rate for 2014/15 onwards is 96.75% and judged to be achievable. This reflects the collection resulting from the Local Council Tax Support scheme and changes to the Council Tax Discounts and exemptions effective from April 2013. Legislation requires that any Collection Fund deficit be corrected through the Council Tax in the next year. There is no surplus to be distributed in 2014/15.
9. The authority's track record in budget and financial management.	In 2012/13 the projected General Fund overspend of £17 million reported at the end of Month 3 lead to a number of actions including a spending freeze and the release of 'one-off' sums from reserves and provisions. The final position was an overspend of £4.7 million. Whilst the underlying overspends were largely addressed in the 2013/14 Budget funding from balances was required in 2013/14 order to address the shortfalls in Adults and Children's Services. Throughout 2013/14 the monthly Financial Monitoring Report has been projecting an underspend. Ultimately, financial performance relies on all budget managers actively managing their budgets and complying with financial regulations, including not committing expenditure if there is no budget provision available.
10. The authority's capacity to manage in-year budget pressures	In 2012/13 actions were put in place to better manager in-year pressures. These included improvements to the financial monitoring system, the frequency of reporting and the challenge process. The monitoring reports identifying an overall underspend during the year. The preparation for the 2014/15 Budget involved greater rigour and challenge as well as involvement from those delivering the services and the savings. This enabled earlier decisions, December 2013, to be taken in respect of Budget savings for 2014/15 and beyond.

Budget Assumption	Financial Standing and Management
	The ability to manage in-year pressures has been recognised in the local approach in reflecting risk in determining the appropriate level of General Fund balances and Reserves.
11. The strength of the financial information and reporting arrangements.	The financial monitoring arrangements were improved in 2012/13 and built upon in 2013/14 with a comprehensive monthly report (per 9) The draft Medium Term Financial Strategy has been improved and will further strengthen the basis of reporting. Appendices to the Budget report will show the budget over the three years 2014/17 and a detailed Budget Book and Forecasts will be published in March.
12. The authority's virement and end of year procedures in relation to budget under / overspends at authority and directorate level.	The Council's Financial Regulations and Contract Procedure Rules were reviewed and updated in 2013. The Budget virement policy includes disciplines to ensure management and policy actions are also considered in relation to overspending budgets. A section on Budget carry-forwards has also been incorporated. Virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of General Fund reserves.
13. The adequacy of the authority's insurance arrangements to cover major unforeseen risks.	The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority. The level of the Insurance Fund Provisions and Reserves are regularly reviewed and is judged to be adequate in that estimated outstanding liabilities are covered by the balances in the Provisions and Reserves.

ANALYSIS OF ROBUSTNESS OF CAPITAL ESTIMATES

Budget Assumption	Financial Standing and Management
1. Estimates of the level and timing of capital receipts.	The Council policy is to fund its Capital Programme over the three year Medium Term Financial Strategy cycle, from three sources: • Borrowing (with provision made in the Revenue Estimates), • Grants, Government and Other; • Capital Receipts. In respect of borrowing the objective is to minimise/eliminate: ▪ Prudential Borrowing, and ▪ Revenue contributions, unless the proposed spending can generate its own funding. Capital Receipts are managed through an officer group working to income generation targets as part of delivering the 2014/17 Capital Programme. Capital Receipts are invested as part of the Council's Treasury Management activity. The investment income continues to be used to help to support the Council's revenue expenditure.

WIRRAL COUNCIL

CABINET

12 FEBRUARY 2014

SUBJECT	**CAPITAL PROGRAMME AND FINANCING 2014/17**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Cabinet with a draft Capital Programme for 2014/17 for consideration and referral to Council for approval. It also includes the related capital financing requirements based upon the prudential indicators that inform the Treasury Management Strategy.

2.0 BACKGROUND AND KEY ISSUES

CAPITAL STRATEGY

2.1 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.

CAPITAL WORKING GROUP

2.2 This officer Group was re-established during 2013 to improve the co-ordination and management of the Capital Programme. The Group includes representatives from all Directorates and the Terms of Reference of this Group include:-

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

The Capital Working Group (Disposals) has been established to maximise Capital Receipts from the sale of surplus assets.

CAPITAL PROGRAMME

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

2.4 Whilst Government announcements include grant support for specific themes or schemes other investment is based upon affordability. This affordability is based upon the limited scope for unsupported capital expenditure, as this adds to revenue costs, and the available capital receipts generated from the disposal of surplus assets.

NEW SUBMISSIONS

2.5 As the Council has to manage demands for investment within the financial constraints that Wirral operates there has to be a means to prioritise investment. Therefore prioritisation criteria have been developed to assess any capital bids that ensure the Programme is targeted to Council priority areas. The criteria are applied by the Capital Working Group in assessing individual bids and in making recommendations to Cabinet as to which should be included in the Capital Programme.

2.6 All submissions, including revised applications for current schemes, were the subject of a Business Case submission. The Capital Working Group challenged the justification and deliverability (with the aim of reducing the significant re-profiling of schemes which has occurred in recent years) prior to scoring the submissions against the prioritisation criteria.

2014/17 CAPITAL PROGRAMME

2.7 The 2014/17 Capital Programme therefore represents a combination of:-

a) Schemes originally approved as part of the 2013/16 Programme and updated through the Capital Monitoring reports in 2013/14 with schemes re-profiled into 2014/15.

Table 1 : Capital Programme based on previous approvals

Analysis of the Capital Programme	2014/15	2015/16
	£000	£000
Capital Programme (Cabinet February 2014)	12,474	2,657
Net re-profiling / slippage	27,410	852
Increased grants	2,132	0
Adjusted requirements	-5,507	100
Current Capital Programme	36,509	3,609

b) New / revised bids for consideration at this meeting. Appendix 1 details the criteria against which schemes were scored with Appendices 2 and 3 providing details of the scoring and the schemes.

Table 2 : New / revised bids for inclusion in the Programme

Scheme	2014/15	2015/16	2016/17
	£000	£000	£000
Refurbishment of buildings	1,500	1,750	750
Cleveland Street Transport Depot	1,000	2,500	0
Extra Care Housing	500	1,000	0
Energy Efficiency Initiatives	500	500	0
Citizen & Provider Portal Social Care	617	0	0

Aids & Adaptations	2,134	2,134	2,134
Empty Property Interventions	102	102	102
Business Investment Grants	300	300	300
Housing Renewal	698	1,030	630
Elleray Park School	500	500	0
Cemetery Extensions	0	150	150
Preventative Main'ce Unclassified Roads	500	0	0
School Remodelling	750	750	750
Total	9,101	10,716	4,816

2.8 The Council has identified a requirement to upgrade the IT, particularly the Oracle System. The Corporate Plan seeks to deliver the Council Vision that will see Wirral working more closely with others and looking at alternative methods of service delivery. This includes the potential progression of Shared Services involving a range of transactional and professional services. Therefore, whilst this is essential investment the cost will vary depending upon the chosen route so at this stage it is proposed that £4 million be included in the Capital Programme 2014/15. This will be refined as the Future Council (including Remodelling of the Council and Shared Services) develops over the coming months.

2.9 The proposed Capital Programme has been assembled from Tables 1 and 2 and is detailed in Appendix 4. It should be noted that the New Bids include bids which replace / update schemes which had previously been approved.

Table 3 : Proposed Capital Programme 2014/17

	2014/15	2015/16	2016/17
	£000	£000	£000
Total Expenditure	46,675	17,468	11,020
Funded From			
General Resources	22,217	9,824	4,376
Grants	24,168	7,644	6,844
Revenue Contributions	290	0	0

2.10 Council has previously considered the Leisure Review and agreed to the inclusion in the Capital Programme of £2 million of funding for improvements to the facilities at Guinea Gap, Europa Pool and West Kirby Concourse. At this stage the review is on-going and, assessing the condition and suitability of the leisure facilities, will result in further submissions for capital investment when the review is progressed and reported to Cabinet.

CAPITAL RECEIPTS

2.11 Capital receipts generated from the sale of Council assets are an important element of funding the Capital Programme. The assumption for capital receipts for the next three years is partly based upon the work of Lambert, Smith, Hampton who have been commissioned to advise and market a number of major assets. The receipts for Acre Lane and the Former Rock Ferry High School are now anticipated to be realised from 2015/16 onwards and Manor Drive from 2016/17. Estimated at up to £20 million for the three sites the precise timing and value of the receipts is subject to further work.

There may be additional costs in preparing the sites for disposal which it is proposed would be included in the Capital Programme and met from the available Capital Receipts.

2.12 The usage of capital receipts can only be when the receipt is guaranteed so at this stage the projections are that there will be £6.2 million available at 31 March 2014. Over £4 million of this sum has provisionally been identified as funding for the 2014/15 Programme. This will be re-assessed as further information becomes available in relation to both the Disposals and the Council Remodelling Programme.

Table 4 : Capital Receipts Projections

	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000
Capital Receipts Reserve	8,100	6,236	8,236	8,236
In – Receipts Assumption	1,800	2,000	TBA	TBA
Out - Funding assumption	-3,664	TBA	TBA	TBA
Closing Balance	6,236	8,236	8,236	8,236

3.0 RELEVANT RISKS

3.1 All relevant risks have been discussed within Section 2 of this report. The robustness of the capital estimates is contained within the Chief Financial Officer Statement (see Revenue Budget 2014/17 on this agenda).

4.0 OTHER OPTIONS CONSIDERED

4.1 Each submission for a scheme to be included in the Capital Programme is supported by a Business Case. This Business Case includes an assessment of the alternative options and has been reviewed by the Capital Working Group as to timing and deliverability.

5.0 CONSULTATION

5.1 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.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly out of this report.

7.0 RESOURCE IMPLICATIONS

7.1. The Capital Programme 2014/17 is based upon the previously approved Capital Programme that with the New Bids gives the proposed Capital Programme 2014/17. This will require a maximum of £13.1 million of unsupported borrowing in 2014/15 which, based on current interest rates, equates to an increase of £1.2 million in revenue borrowing costs.

7.2 The spend and funding of the Capital Programme are linked to the Treasury Management activity. The return on investment income is expected to be considerably lower in 2014/15. The policy of borrowing internally as opposed to incurring costs by borrowing is providing short-term benefits but not sustainable in the medium term. It has been reported in the Revenue Monitoring 2013/14 that there will be a shortfall of £0.25 million in 2013/14. It is projected that the reduced rates and lower levels of reserves will lead to a shortfall of £0.5 million in 2014/15.

7.3 The £1.2 million cost of the proposed Capital Programme 2014/17 and the impact of the £0.5 million reduction in investment income can be accommodated within the £1.7 million included for Capital Financing in the Revenue Budget projections for 2014/15.

PRUDENTIAL INDICATORS

7.4 In considering the programme for 2014/17 Cabinet is advised that:-

a) Total borrowing of £22.2 million is required to fund the Capital Programme 2014/15. However with the schemes re-profiled from 2013/14 being already funded and the fact that a number of new bids replace existing schemes there is the need to fund £13.1 million of new borrowing.

b) To fund all the new bids, with the IT scheme, would increase the potential level of borrowing by £8.7 million in 2014/15, £7.7 million in 2015/16 and £1.9 million in 2016/17. The effect on the yearly increase in revenue costs (cumulative) would be:-

- 2014/15 an increase of £0.8 million.
- 2015/16 a further increase of £0.7 million.
- 2016/17 a further increase of £0.2 million.

c) To fund the previously approved Capital Programme plus all the new bids and the IT scheme would increase the potential level of borrowing by £13.1 million in 2014/15, £7.7 million in 2015/16 and £1.9 million in 2016/17. The effect on the yearly increase in revenue costs (cumulative) would be:-

- 2014/15 an increase of £1.2 million.
- 2015/16 a further increase of £0.7 million.
- 2016/17 a further increase of £0.2 million.

d) If the decision is taken to spend in excess of the level of identified resources then this would require increased use of borrowing which incurs annual revenue costs at the rate of £90,000 per £1 million of capital. expenditure. In considering the impact upon Council Tax levels each 1% rise in Council Tax equates to £1.1 million of increased expenditure.

8.0 LEGAL IMPLICATIONS

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

9.0 EQUALITIES 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.

10.0 CARBON REDUCTION IMPLICATIONS

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

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

12.0 RECOMMENDATIONS

12.1 That the new bids as detailed in Sections 2.7 and 2.8 be approved.

12.2 That the overall Capital Programme 2014/17 (as detailed in Appendix 4) be referred to Council for approval.

12.3 That, if the changes are approved, the capital financing requirements be reflected in the revenue budget.

12.4 That the Prudential Indicators be noted and reported to Cabinet as part of the Treasury Management Strategy.

12.5 That progress on delivering the Capital Programme be presented in accordance with the agreed Capital Monitoring arrangements.

13.0 REASONS FOR RECOMMENDATIONS

13.1 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.

13.2 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.

13.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to determine Prudential Indicators on an annual basis. Prudential Indicators must be calculated in accordance with the Prudential Code.

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APPENDICES

Appendix 1 – Capital Programme Prioritisation Evaluation Criteria.
Appendix 2 – Scoring Summary for new capital bids 2014/17.
Appendix 3 – Schemes recommended for inclusion.
Appendix 4 – Proposed Capital Programme 2014/17.
Appendix 5 – Technical capital information on expenditure and funding.

REFERENCE MATERIAL

Prudential Code for Capital Finance in Local Authorities , CIPFA 2013.

SUBJECT HISTORY

Council Meeting	**Date**
Cabinet - Capital Programme 2013/16 Cabinet - Capital Monitoring 2013/14 - since September 2012 reports have been presented on a monthly basis	18 February 2013 Various

APPENDIX 1

CAPITAL PROGRAMME PRIORITISATION EVALUATION CRITERIA

Scheme Title				
		(A) Score 1 to 5	**(B) Multiplier**	**Weighted Score (A x B)**
A	**Direct Links to Council Themes (18%)**			
1	Investing in our future		6	
2	Promoting independence		6	
3	Transforming the Council		6	
B: Outcomes (32%)				
1	Realistic and detailed time table with key events and dependencies rigorously addressed		5	
2	Realistic and clearly stated outcomes with achievable, measured outputs that the investment will produce.		15	
3	Demonstrates need for, benefits of and priority for investing and evaluation of alternate options.		12	
C: Finance (50%)				
1	Business case demonstrates achievable and realistic revenue savings.		15	
2	Attracts noticeable outside funding		20	
3	Accommodates all revenue borrowing or ongoing revenue running costs.		15	
OVERALL WEIGHTED SCORE				

(Scoring scheme: 1 poor, 2 below average, 3 average, 4 good, 5 very good)

A scoring threshold of 300 has been used to determine those schemes to be recommended for inclusion in the Capital Programme.

APPENDIX 2

Scoring Summary For New Capital Bids 2014-17

SCHEME	Comments	Total Score	Scheme Estimate 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
Refurbishment of buildings to increase occupancy	Invest to Save plus capital receipts	**462**	1,500	1,750	750	**4,000**
Cleveland St. transport depot	Invest to Save plus capital receipts	**452**	1,000	2,500	0	**3,500**
Extra Care Housing	Invest to Save plus external garnt funding	**435**	500	1000	0	**1,500**
Energy efficiency initiatives	Invest to Save	**403**	500	500	0	**1,000**
Citizen and provider portal to social care and health	Grant funded	**402**	617	0	0	**617**
Aids & Adaptations/Disabled Facilities Grants	Replaces exisiting scheme	**391**	2,134	2,134	2,134	**6,402**
Empty property interventions	Continues existing scheme	**381**	102	102	102	**306**
Business investment grants	Continues existing scheme	**369**	300	300	300	**900**
Housing renewal	Replaces exisiting scheme	**348**	698	1,030	630	**2,358**
Elleray Park additional classrooms and reconfiguration	Contribution to grant funded scheme	**322**	500	500	0	**1,000**
Cemetery extensions and improvements	Health and safety, income generation	**318**	0	150	150	**300**
Preventative maintenance to unclassified roads	Invest to Save	**306**	500	0	0	**500**
School remodelling	Replaces exisiting scheme	**300**	750	750	750	**2,250**
Parks tennis courts improvements	To be funded from Cultural Services PPM Budget	**0**	0	0	0	**0**
Refurbishment of toilet provision within parks	To be funded from Cultural Services PPM Budget	**0**	0	0	0	**0**
Allotments site repairs and improvements	Included in Public Health Programme	**0**	0	0	0	**0**
Health and safety compliance (CYP)	To be funded from CYP PPM Budget	**0**	0	0	0	**0**
Wild about Wirral land use re-allocation	To be funded from revenue	**0**	0	0	0	**0**
Parks infrastructure repair and upgrade	To be funded from revenue	**0**	0	0	0	**0**
Play areas repair and upgrade	To be funded from revenue	**0**	0	0	0	**0**
			9,101	**10,716**	**4,816**	**24,633**

APPENDIX 3

CAPITAL PROGRAMME 2014/17

SCHEMES RECOMMENDED FOR INCLUSION FOLLOWING EVALUATION

Project title and description
Refurbish buildings to increase occupancy Will enable existing buildings to operate more efficiently, enable the vacation of various buildings that will reduce revenue costs and generate capital receipts. Is a key driver to enable the Council to continue to deliver efficiencies from office accommodation.
Cleveland St. Transport Depot To relocate various parks maintenance operations and the Salt Barn to the Cleveland St Depot. Will generate capital receipts and deliver revenue savings by eliminating current running, and future maintenance, costs.
Extra Care Housing Represents an extension of the current programme to develop extra care housing units in Wirral. Will contribute significantly to the shift required from residential and nursing care placements, to community based living options. The average weekly cost of residential or nursing placement is higher than the cost of support in an Extra Care unit. Would contribute to savings targets from Contracting and Commissioning.
Energy Efficiency Initiatives Will enable the identified buildings to operate more efficiently and deliver longer-term cost, energy and carbon benefits. The proposals will reduce revenue spend on energy and generate receipts from utility providers.
Citizen and Provider Portal to Social Care and Health **A Citizen portal** would enable Social Care customers and their families to provide assessments of their own needs, communicate via a structured channel with the Council. **A (Market Place) Service Directory** would enable boroughs to work collaboratively and efficiently manage the adult social care market. The installation of a **Provider Portal**, we could securely and safely enable all social care and health providers to submit their Actual costs and time spend delivering services throughout the pay period, invisibly and fully integrated to the new Care System (Phase 1). **Provision of IT infrastructure for Residential and Nursing Care providers** will allow contracted providers access to appropriate infrastructure to enable them to exchange information on line with the Council in a timely manner. **Single View** allows local public service partners an up to date snapshot of the person's circumstances, by way of the composite chronology of events. **Enhanced Data Warehouse** will improve ability to intelligently forecast demands for Adult Social Care and Health provision.
Aids & Adaptations/Disabled Facilities Grants Support the Authority to meet its statutory duty with regards to grant aiding the provision of essential aids & adaptations to give disabled persons better freedom of movement into and around their homes and to give access to essential facilities within the home.

Empty Property Interventions There are 6,389 vacant properties throughout Wirral, representing 4.4% of Wirral's total housing stock. More needs to be done to 'unlock' units of accommodation to help meet housing need, tackle homelessness and address environmental blight.
Business Investment Grants The scheme is to provide business grants to both SMEs and non-SMEs in support of inward investment and indigenous investment capital projects. The projects assisted will have a clear and positive economic impact, e.g. the creation or safeguarding of high quality and sustainable jobs.
Housing Renewal Will deliver a mixture of Home Repair Assistance and Renovation loans and Cosy Homes Heating Grants to assist low income vulnerable home owners with essential repairs and heating improvements to enable them to stay in their homes. Will assist in securing the remaining property acquisitions and cover the Council's ongoing commitment, in relation to properties acquired for demolition and eventual housing redevelopment.
Elleray Park additional classrooms and reconfiguration Elleray Park Special School currently 91 pupils on roll. Pupils have profound medical and learning difficulties. The school is very popular with parents and space is becoming a serious issue as numbers rise, the complexity of disability increases and the level of support rises. The scheme adds 3 classrooms, resource room, hygiene room, storage, relocates the kitchen, demolishes the former caretakers bungalow and undertakes external works.
Cemetery Extensions and Improvements To extend Frankby and Landican Cemeteries to provide additional sections for full burials, cremated remains and a meadow section before the predicted capacity runs out. The works will comprise the following hard and soft landscaping and new access roads linked to the existing cemetery infrastructure. Additional capacity generates additional income.
Preventative maintenance to unclassified roads and residential streets This project increase investment in the highway network to limit the further deterioration of minor roads, which otherwise would result in higher levels of reactive maintenance in response to actionable defects, higher levels of payments in response to claims against the Council for slips, trips and falls and higher cost capital investment in future years to repair roads with escalating deterioration in structural condition.
School Remodelling There is a requirement for a flexible approach in providing adequate space which is suitable for the various neighbourhoods and educational demands. Capital funding will ensure that adequate resource is available to meet fluctuations in pupil numbers and suitability needs e.g. DDA, medical needs, team around the child meetings, out of hours provision etc. The project will create a suitable learning environment for some of the Borough's most vulnerable children, by ensuring they are safe and secure, have spaces for movement and play, creating an learning environment which will help them achieve their potential.

APPENDIX 4

WIRRAL COUNCIL

PROPOSED CAPITAL PROGRAMME 2014/17

SUMMARY

	2014/15	2015/16	2016/17
	£000	£000	£000
Expenditure			
Universal/Infrastructure Services	4,673	5,050	750
Families & Wellbeing – Children	13,879	5,850	5,350
Families & Wellbeing – Adults	3,611	1,852	1,604
Families & Wellbeing – Sport & Recreation	1,000	1,000	0
Regeneration & Environment -Environment	9,160	150	150
Regeneration & Environment -Regeneration	9,951	3,566	3,166
Transformation & Resources	4,000	0	0
Public Health	401	0	0
Total Expenditure	**46,675**	**17,468**	**11,020**
Resources			
General Resources	22,217	9,824	4,376
Grants – Education	9,364	4,750	4,750
Grants – Local Sustainable Transport	676	0	0
Grants - Integrated Transport	1,514	0	0
Grants - Local Transport Plan	3,095	0	0
Grants – Other	9,519	2,894	1,894
Revenue Contributions	290	0	0
Total Identified Resources	**46,675**	**17,468**	**11,020**

General Resources			
Borrowing	TBA	TBA	TBA
Capital Receipts	TBA	TBA	TBA
Total General Resources			

UNIVERSAL AND INFRASTRUCTURE SERVICES	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Building refurbishment to increase occupancy	1,500	1,750	750
Cleveland St Transport Depot	1,000	2,500	0
Energy efficiency Initiatives	500	500	0
Energy schemes	300	300	0
Structural/Roofing works - West Kirby Concourse	200	0	0
Demolish Stanley Special	275	0	0
Demolish Bebington Town Hall and Liscard Municipal	378	0	0
Demolish former Rock Ferry High	400	0	0
Demolish Foxfield	120	0	0
Total Expenditure	**4,673**	**5,050**	**750**
Resources			
Borrowing	4,673	5,050	750
Total Identified Resources	**4,673**	**5,050**	**750**

FAMILIES AND WELLBEING - CYP	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Elleray Park Special School redevelopment	500	500	0
School remodelling and additional classrooms	750	750	750
Children's centres	206	0	0
Vehicle Procurement	140	0	0
Condition/Modernisation	5,550	4,500	4,500
Family Support Scheme	155	100	100
Formula Capital Grant	1,978	0	0
Private Finance Iniative	150	0	0
Wirral Youth Zone	1,970	0	0
Funding for 2 year olds	130	0	0
Foxfield school contribution	1,000	0	0
Somerville primary school mobile replacement	1,350	0	0
Total Expenditure	**13,879**	**5,850**	**5,350**
Resources			
Borrowing	4,225	1,100	600
Revenue, reserve, contributions	290	0	0
Grant - Education	9,364	4,750	4,750
Total Identified Resources	**13,879**	**5,850**	**5,350**

FAMILIES AND WELLBEING - DASS	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Citizen and Provider Portal for Social and Health Services	617	0	0
Transformation of Day Service	750	0	0
Integrated IT Care System	1,200	0	0
LD extra care housing phase 1	544	852	1,604
LD extra care housing phase 2	500	1,000	0
Total Expenditure	**3,611**	**1,852**	**1,604**
Resources			
Borrowing	1,344	852	1,604
Grant - Other	2,267	1,000	0
Total Identified Resources	**3,611**	**1,852**	**1,604**

FAMILIES AND WELLBEING - SPORT & REC	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
West Kirby/Guinea Gap/Europa Pools	1,000	1,000	0
Total Expenditure	**1,000**	**1,000**	**0**
Resources			
Borrowing	1,000	1,000	0
Total Identified Resources	**1,000**	**1,000**	**0**

REGENERATION AND ENVIRONMENT - ENVIRONMENT	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Cemetery Extensions and Improvements	0	150	150
Preventative Maintenance to Unclassified Roads	500	0	0
Road Safety	1,230	0	0
Air Quality	374	0	0
Transportation	144	0	0
Local Sustainable Transport Fund	676	0	0
Bridges	430	0	0
Highways Maintenance	2,855	0	0
Additional Highways Maintenance Funding (LTP grant)	279	0	0
Coast Protection	50	0	0
Asset Management	84	0	0
Parks Plant and Equipment	628	0	0
Parks vehicles replacement	600	0	0
Park depot rationalisation	1,310	0	0
Total Expenditure	**9,160**	**150**	**150**

Resources			
Borrowing	3,526	150	150
Grant - Integrated Transport	1,514	0	0
Grant - Local Sustainable Transport	676	0	0
Grant - Local Transport	3,235	0	0
Grant - Other	209	0	0
Total Identified Resources	**9,160**	**150**	**150**

REGENERATION AND ENVIRONMENT - REGENERATION	**2014/15**	**2015/16**	**2016/17**
	£'000	£'000	£'000
Expenditure			
Aids, Adaptations and Disabled Facility Grants	3,377	2,134	2,134
Empty Property Interventions	102	102	102
Business Investment Grants	300	300	300
Housing Renewal	698	1,030	630
Other Regional Growth Fund Schemes	4,017	0	0
New Brighton	1,162	0	0
Cosy Homes Heating	30	0	0
The Priory	265	0	0
Total Expenditure	**9,951**	**3,566**	**3,166**
Resources			
Borrowing	3,449	1,672	1,272
Grant - Other	6,502	1,894	1,894
Total Identified Resources	**9,951**	**3,566**	**3,166**

TRANSFORMATION & RESOURCES	**2014/15**	**2015/16**	**2016/17**
	£'000	£'000	£'000
Expenditure			
I.T Development	4,000	0	0
Total Expenditure	**4,000**	**0**	**0**
Resources			
Borrowing	4,000	0	0
Total Identified Resources	**4,000**	**0**	**0**

PUBLIC HEALTH	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Expenditure			
Allotments	168	0	0
Start Active, Play Active, Stay active	220	0	0
Wirral Way - widening and safety improvements	13	0	0
Total Expenditure	**401**	**0**	**0**
Resources			
Grant - Other	401	0	0
Total Identified Resources	**401**	**0**	**0**

TECHNICAL DETAILS

1.0 CAPITAL EXPENDITURE

1.1 Capital expenditure is defined under the Financial Reporting Standard (FRS) 15 as expenditure incurred on the creation, purchase or enhancement of a tangible asset required over the long term to carry out the activities of an organisation. Expenditure which purely maintains the useful life or open market value of an asset should be charged to revenue. The Local Government Act 2003 amended the definition to allow expenditure on computer software and on the making of loans or grants for capital expenditure by another body to be treated as the capital expenditure of a local authority.

1.2 Local Authorities can also apply to the Secretary of State for a determination to re-classify revenue spend as capital spend based upon a Capitalisation Direction. Whilst the Government are proposing changes over the use of capital receipts from 2015/16 so they can be used to transform and reform services the use of capital receipts in this way will still be subject to Secretary of State approval.

2.0 SOURCES OF CAPITAL FUNDING

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

Borrowing

2.2 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.

2.3 As a guide, borrowing incurs a revenue cost of approximately 8% 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 £0.8 million.

2.4 The Government has given Local Authorities greater freedom in the way they provide for their debts. Local Authorities 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.

2.5 The Council has determined that the most prudent method of earmarking revenues to repay unsupported borrowing is by matching the debt repaid each year to the life of the asset which the borrowing helped to finance. As an example, if the Council borrowed £5 million to build a new asset with a life of 20 years then revenue costs would be £0.25 million each year for 20 years plus the interest cost of the borrowing.

Grants

2.6 The challenging financial environment means that national government grants are reducing, or changing in nature. A large proportion of this funding is currently unringfenced which means it is not tied to particular projects but it is often tied to a particular area such as education or highways so we do not have complete freedom on where to spend our grants. Our aim is to use only up to the level of grant provided and we will not use unsupported borrowing to 'top up'. However, we must also meet our statutory obligations and where the grant is not sufficient, other sources of funding will be sought to fund the gap.

Capital Receipts

2.7 Capital receipts are estimated and are based upon the likely sales of assets as identified under the developing Asset Management Plan. These include development sites, former school sites and the agreement with Wirral Partnership Homes / Magenta Living for the sharing of receipts from sales of former Council houses. Receipts are critical to delivering our capital programme and reducing the level of borrowing we require.

Revenue / Other Contributions

2.8 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.

WIRRAL COUNCIL

CABINET

12 FEBRUARY 2014

SUBJECT	**MEDIUM TERM FINANCIAL STRATEGY 2014/17**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the Medium Term Financial Strategy 2014/17. It is a strategic, financial document that set outs the Councils financial approach for the planning period 2014/15 to 2016/17. It also incorporates the Treasury Management and Investment Strategy for 2014/17 in accordance with the CIPFA Code of Practice for Treasury Management in Public Services.

2.0 BACKGROUND AND KEY ISSUES

2.1 Over the next three years the services the Council provides are facing a very challenging financial future with a £44 million anticipated funding gap. The size of this funding gap is leading the Council to consider how the total financial resources of the Council and its partners will need to be maximised, prioritised and channelled to the right areas and activities. The Medium Term Financial Strategy focuses on ensuring that resources are matched to priorities as identified in the Corporate Plan whilst ensuring that statutory functions are provided in the most efficient way.

2.2 The Council has and will continue during the period 2014/17 to realign itself to the financial reality it faces. The Government has set out how it aims to eliminate the budget deficit. The savings introduced in the four year period Spending Review 2010 (SR10) 2011/12 to 2014/15 represent the largest reduction in public government spending since the second world war. The Government has subsequently announced that public finances will not be balanced in the current parliament i.e. before it ends in 2015. The latest spending round period (2015/16 was announced in June 2013 (SR13). Local Government will face further funding reductions in real terms. It is anticipated that further reductions due to austerity will continue until at least 2017.

2.3 At the same time the Council is facing financial pressures from the increasing demand for certain services. This increased demand comes from demographic and recession linked changes. In contrast the financial effects of changes in services such as car parking and the introduction of new services will lead to further challenges.

2.4 The Medium Term Financial Strategy as well as providing financial background, sets out the Councils budget strategy over the next few years.

The responses and approaches that will be adopted to meet the challenges faced and close the funding gap. The Medium Term Financial Strategy contains the following sections:

- Overview the period 2014/17
- Forecast Income
- Forecast Expenditure
- General Fund Balances and Earmarked Reserves
- Capital, Treasury Management and Asset Management
- Risk Management and Business Continuity
- Managing the Medium Term Financial Strategy

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 2014/15 budget.

2.5 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 appendix 2 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.

2.6 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."*

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.

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

- The Treasury Management Strategy for 2014/17 - The long term direction for Council borrowing, debt rescheduling and investments.
- The Prudential Indicators – information to ensure the Council's capital investment is affordable, prudent and sustainable.
- The Minimum Revenue Provision (MRP) Statement – The Council's policy on the repayment of long term debt.
- Authorised signatories for treasury management activities.

3.0 RELEVANT RISKS

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

3.2 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

4.0 OTHER OPTIONS CONSIDERED

4.1 There are no other options considered in this report.

5.0 CONSULTATION

5.1 The outcome of the What Really Matters consultation ha, and swill, help influence future priorities and service delivery. The Medium Term Financial Strategy links to the Corporate Plan priorities. The Treasury Management Strategy has been written in consultation with the Council's external treasury management advisors, Arlingclose Ltd. There has been no further consultation undertaken or proposed for this strategy report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising out of this report.

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

7.1 The resource implications are within the Strategy and the financial implications are updated by the Budget Projection reports submitted to Cabinet throughout the year. Approval and implementation of Treasury Management Strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising out of this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising out of this report.

9.2 An Equality Impact Assessment (EIA) is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising out of this report.

12.0 RECOMMENDATIONS

12.1 That in respect of the Treasury Management Strategy 2014/17

i) The Treasury Management Strategy for 2014/17 be approved.
ii) The Prudential Indicators be adopted.
iii) The Council's Minimum Revenue Provision policy be approved.
iv) The Council Officers listed in Appendix G be authorised to approve payments from the Council's bank accounts for all treasury management activities.

12.2 That is respect of the Medium Term Financial Strategy 2014/17

i) The Medium Term Financial Strategy be approved.
ii) Regular updates of the Medium Term Financial Strategy be reported to Cabinet.

13.0 REASON FOR RECOMMENDATIONS

13.1 The Corporate Plan identifying how the corporate objectives are to be achieved which are delivered through the setting of the annual Budget. The Medium Term Financial Strategy indicates the resource issues and principles that shape the Budget as by identifying current issues as well as potential developments / related issues the Strategy helps inform future revenue and capital budgets.

13.2 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.

13.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) also 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.

13.3 Following staffing changes, Members are asked to approve a revised list of Officers to approve treasury management activities.

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APPENDICES

Appendix 1 Medium Term Financial Strategy
Appendix 2 Treasury Management Strategy

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.

SUBJECT HISTORY

Council Meeting	Date
Medium Term Financial Strategy	
Cabinet - Medium Term Financial Strategy	4 November 2010
Cabinet - Medium Term Financial Strategy	13 October 2011
Cabinet - Medium Term Financial Strategy	18 February 2013
Cabinet - Future Financial Position	10 December 2013
Treasury Management & Investment Strategy	
Cabinet - Treasury Management and Investment Strategy 2012 to 2015	20 February 2012
Cabinet - Treasury Management Annual Report 2011/12	21 June 2012
Cabinet - Treasury Management and Investment Strategy 2013 to 2016	18 February 2013
Cabinet - Treasury Management Annual Report 2012/13	10 October 2013

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2014-17 Medium Term Financial Strategy.

Contents

1 Overview

1.1 Purpose of the Document

The Medium Term Financial Strategy 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 Councils future budget and a proposed approach to budget planning.

The Council is facing a challenging financial future. The setting of next and future year's budgets will be difficult. The level of savings required to balance the Councils budget are considerable. Significant savings are expected throughout the next 3 years and beyond 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 2014-17. The strategy also links with Wirral's Corporate Plan. It shows how our finances will be structured and managed to ensure that they meet future financial challenges, as well as supporting the priorities 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 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;
- Plan - provide a financial framework within which business planning can proceed effectively.

In addition to Wirral Council's annual budget the following are the major strategy documents in support of the MTFS:-

- Capital Strategy including capital programme;
- Asset Management Plan;
- Treasury Management Strategy.

These Strategies lay out the strategic aims of the Councils 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 on going maintenance costs. There are two way 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 Corporate Plan

The MTFS complements the Corporate Plan as a means of ensuring that Wirral Council's finances are aligned with its vision, aims & priorities. The Council adopted a new Corporate Plan 2014 – 2016 in December 2013. The approach to the MTFS is to ensure that the Council makes the best use of its financial resources in the delivery of key Corporate Plan outcomes, 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.

It is clear that the Council needs a focused approach to commissioning its services, to integrating services with others, where relevant, and to ensure that it decommissions services where they do not align with priorities or can not be afforded. This can be considered as an outcomes approach based on life course whereby the Council considers its response to its input and influence at each life course stage from early years to end of life. Work continues on the commissioning strategy. This can be expressed as starting well, developing well, living and working well, and ageing well. The council is being remodelled to ensure alignment to absolute priorities, optimal delivery models and maximum efficiency. The financial resources available will strongly shape the strategy as will the strategy contents significantly affect the financial strategy and prioritisation.

1.3 National and External Influences

<u>National Influences</u>

The MTFS for the three years 2014/15 to 2016/17 has been developed against a difficult financial picture. Despite recent improvement the outlook for the next 3 years for the British economy continues to be uncertain. The Council must realign its services to the reduced funding levels and contain our spending to the overall income available. Wirral has made savings of £106.8m between 2011/12 and 2013/14. This has enabled the Council to respond to the reduced levels of government funding in addition to meeting the additional spending demands faced. The Council is going to need to make new savings in the next 3 years. 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 economic factors.

The major national influences on the Councils MTFS are detailed in the following paragraphs.

The Governments Deficit Reduction Programme

The public sector since 2010 has seen a permanent reduction of its spending. This has resulted in unprecedented financial challenge for local government.

The Government's aim is to eliminate the budget deficit over 5 years. The annual deficit as a percentage of Gross Domestic Product is forecast to be 6.8% in 2013/14 and a surplus of 0.1% by 2018/19.

The size of the Government policy on deficit reduction is leading to massive change in all public sector services including local government. The forecasts are uncertain and may vary, with the deficit being potentially cleared earlier or later than 2018/19. The estimates of deficit reduction reflect plans on public spending reductions, anticipated tax revenues and the performance of the economy.

The National Economy

The UK economy has performed better during 2013 than was predicted in the March 2013 Budget Statement. However recent announcements have warned that growth in 2013 is unlikely to be continued as strongly in 2014. Economic recovery as mentioned before is key to the Government meeting its deficit reduction targets and in turn spending plans.

The Autumn Statement 2013 announced that in 2014/15 and 2015/16 Government departmental amounts would be reduced by a further 1% over and above the reductions already announced in June 2013 Spending Review. Local Government has been protected from these further reductions and there are no changes to the amounts announced in Spending Review 2013. The Autumn Statement did set out the Governments vision for public spending beyond 2015/16, the current spending round. It is anticipated that there will be a need for further reductions in 2016/17 and 2017/18 of a similar magnitude to the annual reductions which have been made to date in order to meet the deficit reduction target. After this the assumption may be that public spending would be flat in real terms. The key message is though that there will be no increase in public spending, including that on Local Government once the deficit has been eliminated.

The health of the economy is a key factor in the MTFS. This strategy recognises that the economic recovery has begun but that substantial reductions in the public sector including local government spending will take place to enable the government to meet its budget targets.

The National Impact on the Local Outlook

The Spending Round 2013 (SR 2013) June 2013 set out total departmental expenditure limits to 2015/16. The Local Government amount for 2014/15 is based on the Spending Review 2010, revised for subsequent announcements such as that in the March 2013 Chancellors budget that spending for local government would be subject to a further 1% reduction for 2014/15. The reductions for 2015/16 as a result of SR 2013, in baseline funding for local authorities are 13.1%.

There are currently no Spending Review announcements beyond 2015/16 although the Chancellor has indicated that the reductions in the order of those made in 2014/15 and 2015/16 are required so ensuring that the Governments Budget deficit is eliminated. It is therefore not known how further reductions in public sector expenditure or central government spending will affect funding to local government. As such the future year of this MTFS period continues to be cloaked in uncertainty. The risk is that there will be more reductions in the next spending review period from 2015/16. These would be on top of the reductions in Wirral's funding in 2013/14 and 2014/15, announced in the Local Government Finance Settlement. There is however, as stated before, little information available about the funding levels 2016/17.

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 to not direct cuts to services wherever possible, but to implement transformational change (delivering quality services within the reduced budgets now available).

In approving the budget savings options for 2014/15 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 will be consistent with its priorities. Where the link between the need to provide a statutory service and Corporate 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 - this is detailed at section 3.3.

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 what is necessary to match limited resources to the highest priorities.

2. Forecast Income

2.1 Local Government Grant Funding

The October 2010 Spending Review announced departmental spending totals to 2014/15. These totals represented planned reductions in local government spending of 28% over the SR10 timeframe. The Autumn Statement in 2012 announced that the period of austerity would extend to 2017/18 and additional reductions in funding to local government of 2% for 2014/15. The March 2013 Budget announced additional reductions in local government funding of 1% in both 2014/15 and 2015/16. The Spending Review in June 2013 laid out Government spending for 2014/15 and 2015/16 in line with previous announcements.

The decrease in government funding is the single biggest factor driving the forecast funding gap for the Council. Like for like funding has decreased and will continue to take place. The reductions for Wirral since the start of 2010 have been over 50%.

Local Government Finance Settlement

For Wirral, the government's calculation of funding comprises the following:-

	2014/15 Settlement Funding Assessment £m	**2015/16 Indicative Funding £m**
Upper Tier Funding	118.155	**99.078**
Lower Tier Funding	20.825	**17.427**
Formula Funding	**138.980**	**116.505**
Grants held back	0.213	**0**
2011/12 Council Tax Freeze Compensation	3.271	3.270
Early Intervention Funding	**10.251**	**9.375**
Homelessness Prevention Funding	0.065	0.065
Lead Local Authority Funding	0.121	0.121

Learning Disability and Health Reform Funding	7.141	7.138
Total Grants Rolled in	**21.040**	**19.970**
Total Settlement Funding	**160.041**	**136.475**

The total settlement funding is dependent on the business rate retention mechanism. The council's net rate yield is adjusted to take account of the amounts to be paid to central government and a share to be passed to the Merseyside Fire and Civil Defence Authority to give the council's retained business rates (RBR) element:

	£m
Net Forecast rate yield	64.702
Less: Amount to be paid to Central Government (50%)	32.036
Business Rates Baseline	**32.036**
Less: Amount to be paid to Merseyside Fire and Civil Defence Authority (2%)	0.641
Retained Business (RBR) element:	**31.395**

To this RBR is added the retained business rates (RBR) top up which is fixed, and the Revenue Support Grant, also fixed, to give total start-up funding. This is shown in the table below:

		2014/15 £m
Retained Business Rates (RBR)	Variable amount	31.395
RBR Top up from Government	Fixed amount	40.513
Revenue Support Grant	Fixed amount	87.493
Total 2013/14 Funding		**159.401**

Actual retained business rates income for 2014/15 will be dependent on the assessed rateable values, effect of appeals and collection rates. The NNDR1 return estimates this amount. Business rates present significant risk to the Council. Any uncollected business rates, or unfavourable variation from government estimates of rateable values, will impact directly on council resources available and therefore on resources available to fund and to provide services.

Although the business rates retention scheme includes a safety net at 7.5% to protect local authorities from significant reductions in business rates, this means that shortfalls from 0% - 7.5% will not be protected and will have to be borne by the local authority. It would be possible for a local authority to lose just below 7.5% for a number of years and never receive any safety net payment. In addition, the council has to estimate for the impact of appeals. Business rates are clearly very significantly influenced by the overall economic climate.

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 placing severe constraints upon the level of general grant support, the burden of financing increasing service demand falls primarily upon the level of council tax.

The Council faces two choices - to increase the Council Tax or to take a grant in lieu.

The Government has implemented a referendum regime from 2012 onwards, for Council Tax increases that it regards as excessive. For 2013-14, under the Government's regulations the Council was allowed to increase Council Tax by 2%. The Government has stated the Councils must hold referendums with local residents it if proposes to increase Council Tax by more 2% in 2014-15. The alternative is a Freeze Grant. A freeze grant of 1% will be available to all Council which freeze Council Tax levels.

The three years of Freeze Grants has the following history

2011-12 Council Tax Freeze Grant - income that is received by Wirral

- Percentage - 2.5%
- Grant amount - a grant of £3.285m pa
- Duration – 2011-14 and future years.

2012-13 Council Tax Freeze Grant - income that is received by Wirral

- Percentage - 2.5%
- Grant amount - a grant of £3.285m
- Duration – 2012-13 only.

2013-14 Council Tax Freeze Grant – Decision by Cabinet 18 February not to take Council Tax Freeze Grant

2014-15 Council Tax Freeze Grant – Decision awaited.

3. Forecast Expenditure

3.1 Cost Pressures

The financial pressures in the period 2014-17 facing Wirral Council are considerable. There will be a number of items of additional expenditure that are likely to be incurred in future years. There are also 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 – loss of income and jobs: inflation;
- Demographic – increase in elderly with resultant costs;
- Policy – budget correction, Government Legislation, grant settlement;
- Technology - change in work practises and service possibilities;
- Climate - change in standards, availability of resources and adaptive consequences, such as disease.

There are a number of areas where there may be additional costs to the Council in future years which are uncertain at the present time. The following have not been added into the 3 year forecasts but remain a potential risk to the Council:

- Provision for redundancy/severance. The Council will require an adequate provision for such costs. While an earmarked reserve contains provision for these costs there are no other amounts included over the period of the MTFS.

- Transformation of Services costs. To achieve the required level of future savings the Council will need to be remodelled. The MTFS does not contain any anticipated costs of remodelling our services.

A fundamental issue to be addressed in the period of the MTFS is the Councils approach to cost pressures and growth in a period when our funding is reducing. For 2014/15 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 however proposed that in future years Directorates will be required to manage their pressures within their resources as far as possible.

Wirral Council has never attempted this degree of budgetary and organisational change before, both in the size of the task and the pace at which it has to be delivered. The degree of risk in 2014/15 will be reflected in the level of General Fund Balances that the Council should hold to cover exposure to risks. The challenges facing the Council are considerable.

These pressures are a mix of clear cost pressures, which are quantified in-year as part of the normal budget monitoring process and other factors, which are much more challenging to quantify. This is because some external factors are outside the Council's control or influence and therefore best estimates must be made.

A balance needs to be struck between areas where budget pressures need to be recognised within the medium term plan where they are quantifiable, and areas of risk where it is deemed that the level of balances held, derived through a robust risk assessment process will cover any potential realisation of the financial impact of that risk.

3.2 Overall Financial Projections for 2014-17

Bringing together the picture relating to forecast income and forecast expenditure, there is a forecast funding gap of £27.5 m in 2014/15 rising to £83.3m by 2016/17. This is a cumulative position and is reduced by the value of savings agreed in December 2013 to a gap of £44.2m. 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 2013-16 reflected the financial projects for the Council based on the SR 2010, a forecast impact of changes to local government finance that commenced in April 2013 and a number of budget assumptions. This forecast that the Council would have an overall deficit of £109 million for the period 2013-16.

MTFS March 2013 Forecast Funding Gap 2013-16

	2013/14 £m	**2014/15 £m**	**2015/16 £m**	**Total £m**
Forecast Expenditure (including demographic changes)	22	13	12	47
Forecast Income (including reduced grants)	17	30	15	62
Forecast Funding Gap	**39**	**43**	**27**	**109**

The total savings proposed in the budget by Cabinet on 18 February 2013 for 2013/14 amounted to £41.2m with £27.5m also proposed for the years 2014-

2016. As a consequence at March 2013 some £40.3m still had to be found to achieve the total of £109m by 2016.

In December 2013 the gap presented in the MTFS was updated. The revised position highlighted a gap of £83 million for the period 2014-17. The March 2013 MTFS forecast has been updated for information released in the summer and the savings agreed in February 2013. Further revisions have come from the announcement of the SR 2013 for 2015/16 and the addition of the anticipated budget gap for 2016/17. This resulted in a new financial forecast for the period 2014-17.

MTFS December 2013 Forecast Funding Gap 2014-17

	2014/15 £m	**2015/16 £m**	**2016/17 £m**	**Total £m**
Forecast Expenditure (including demographic changes)	300.3	288.1	275.1	863.5
Forecast Income (including reduced grants)	272.8	257.4	250.0	780.2
Forecast Funding Gap	**27.5**	**30.7**	**25.1**	**83.3**

The forecast funding gap for 2014-17 has been updated below to reflect savings agreed in December 2013 by the Council, the provisional local government finance settlement and revisions to budget assumptions that have been identified.

The updated position shows a “surplus” for 2014-15 of £0.4 m. The forecast funding gap for 2014-17 is over £44 million. This will be subject to change as the Government has yet to finalise the Local Government Finance Settlement for 2014/15 and 2015/16.

MTFS March 2014 Forecast Funding Gap 2014-17

	2014/15 £m	**2015/16 £m**	**2016/17 £m**	**Total £m**
Forecast Expenditure (including demographic changes)	276.3	275.1	276.6	828.0
Forecast Income (including reduced grants)	276.7	257.1	250.0	783.8
Forecast Funding Gap	**(0.4)**	**18.0**	**26.6**	**44.2**

The 3-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 period to 2014/15 will see the greatest ever post war reduction in Local Government funding. To respond to this the Council must reshape to meet this new financial reality. Wirral has made savings in the period 2011-2014 and will do so again in 2014/15. Significant savings are expected throughout the spending review period and beyond. The Council is working in an increasingly difficult and unpredictable financial environment.

3.3 The Revenue Budget Strategy to meet Pressures

In order to meet these challenges and close the financial gap the Medium Term Financial Strategy will drive forward the financial planning process. Wirral's financial strategy to close the gap will be based on the following principles:-

Prioritisation
The medium term planning cycle aims to link resources to Wirral objectives and priority areas. The Council recognises the pressures on its budget and, while seeking to protect and enhance front-line services as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek reductions where possible. The approach will be to continue to avoid direct cuts to services where possible and deliver transformational change. The budget building has been informed by valuing what is most important for residents. To enable this, savings are differentiated between those that do not directly affect residents, such as efficiency gains, and savings that have an impact on residents, such as reduced standards or stopping services.

The priority approach assesses savings options under the following classifications of savings:-

For Savings in 2014/15 and 2015/16 agreed in February 2013 savings were prioritised as follows:

Highest Priority: Savings that affected residents least:

Type of Saving	Nature of Saving
Organisation	Arrange People Better
Lean	Better Processes
Procurement	Buy at a Lower Price
Shared Services	Spread Costs to Others
Capital	Reduce Revenue Costs
Terms & Conditions	Terms and Conditions of Employees
Sweat the assets	Improve Income
Change Assumptions	Revisions to Future Predictions

Lower Priority: Savings that affect residents directly

Type of Saving	Nature of Saving
Change Standards	Usually reduce Service Standards
Stop Doing Things	Cease Services

In developing the 2014/15 Budget during 2013, the Council has adopted a number of principles when proposing budget options that will close the funding gap. The budget consultation has used a priority approach to assess savings options under the following classification of savings:

- Being more efficient – Making sure that we deliver our services in the most cost effective way possible – streamlining processes, joining up our back office functions and never wasting money on administration that could be invested in services.

- Working together – working more in partnership with others in the public, community, voluntary and faith sectors, reducing duplication and delivering better outcomes for residents.

- Promoting Independence – moving away from the Council doing everything and instead encouraging self help and community empowerment and resilience.

- Targeting resources – we have to target our resources on those who need our help the most – this will mean cuts in some services – which we are trying to deliver in a way that is both fair and equitable.

Partnership

The Council will seek new funding and new ways of working with support provided by the outside organisations. Cabinet Members will continue to look at new methods of service delivery over the three-year budget period to improve services to the public and the value for money that they provide.

Efficiency and Productivity
That Council recognises the need to improve efficiency and deliver value for money. Cabinet Members will seek to identify efficiencies that will not impact on service delivery, and to identify options that will improve the value for money services through improving performance and/or reducing service costs.

Pressures
That the Council has determined, that given the financial pressures faced by Wirral, growth can only be supported in priority areas, or where the Council is required to fund new items e.g. by new legislation. Demand across a number of services will increase in the future, especially in social care areas, at a time when grant funding from the Government is reducing.

Multi Year
The budget will be agreed in February 2014 and will cover a three year period to avoid taking a series of annual short term decisions. The vision is to define the outcomes the Council wants to achieve by April 2016 and beyond as part of its commissioning strategy - and look back on how well the journey, over the three years, was accomplished.

Capital and Revenue
The budget is better linked as there are significant revenue costs arising from capital schemes (for example, schools), just as some capital spends, such as refurbishments, can reduce revenue expenditure on maintenance.

Transparent
This year's budget process improved the transparency of decision making. The budget consultation process shared with residents the entire budget saving options at the beginning of the process and categorised them in terms of their effect on residents. Residents were able to see the range of options that Members would consider.

Consultative
The budget process has sought as wide a canvass of views as possible. It has used a number of methods to gain everyone's opinions and views. The Council through What Really Matters, consulted on £17.5 million of savings with further efficiency savings of over £7 million identified and a potential increase in Council Tax to generate over £2 million. All these budget options have helped the Council close its current forecast funding gap for the next financial year.

4. General Fund Balances and Earmarked Reserves

4.1 Background

The maintenance of general fund balances and earmarked reserves is part of the Councils strategic financial planning and approach to the management of risks it will face in the future.

The Councils 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 our perceived future local demands. As such there is no standard approach to the level of reserves that could be applicable to every Council.

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

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 £17.3m for 2014/15 which represents 6.3% of Wirral Council's 2014/15 net revenue budget.

The basis of the level of general fund balances framework is 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 total of the value column is the level of balances required to cover the identified risk. The following example illustrates this:

Salaries budget: £140.936m Risk: low Factor: 0.1% Value: £141k

The areas of risk considered in the general contingency are set out in the Revenue Budget 2014-17 report with an explanation of the potential risks faced by Wirral Council. The calculation of the level of General Reserves Balances is as follows:-

2013/14	2014/15	2015/16	2016/17
£13.0m	£17.3m	£15.4m	£13.9m

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). The main earmarked reserves are set out in the table below and a brief description of each category of earmarked reserve is given.

- Housing Benefit Reserve - The reserve is held to meet ongoing issues relating to the previous Housing Benefit Supporting People arrangements, the potential claw-back of subsidy against recent years plus further development of the administration of housing benefits.

- Insurance Fund Reserve – This is primarily to cover possible liability insurance claims. The overall estimate of the amount required is based on an actuarial assessment.

- Remodelling the Council – To deliver the Council Vision for 2016 will required funding of restructuring costs and other transformational costs.

- Management of Risks - A number of reserves maintained for very specific uses and risks.

- The Schools Balances are not available for Wirral Council’s general use.

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 Financial Monitoring 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 Director of Finance considers the level of reserves and balances to be reasonable for 2014/15 based on:-

- Working Balances of £17.3m, which at 6.3% of the 2013/14 net revenue budget is reasonable given the financial risks the council is facing;
- Current level of general fund earmarked reserves.

If the Council uses its reserves instead of making budget reductions they would be used up in a short amount of time. Reserves can be used to smooth budget reductions but they cannot be used to avoid them. 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 key financial priority is the bolstering of reserves to fund the future transformational changes that will be required to close the Councils funding gap.

5. Capital, Treasury Management and Asset 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.

We already have embedded processes to review our fixed assets and strategies for treasury management and borrowing. Over the course of 2014/15 we will undertake a self-assessment of 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 2014/15 to 2016/17. The strategy is designed to maximise outcomes through a prioritisation of limited resource allocations. The Council will continue to identify future capital resources including a review of its own asset holding, 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 (Appendix1) is concerned with, and sets the framework for, all aspects of the Council's capital expenditure over the 3 year period 2014/15 to 2016/17 – 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 Medium Term Financial Strategy (MTFS). It is also essential that the strategy reflects the wider private sector investment into the overall regeneration 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 Council's Corporate 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 is detailed in Appendix 2 and 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 Council's Corporate 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 S3 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. It is proposed to reduce the Council's minimum long term credit rating requirement from A to A- to enable investment with a wider group of counterparties whose credit standing has not changed but whose ratings are lower because more stringent tests are now applied by credit rating agencies;
- 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 changes are largely regulatory updates and there is little material change affecting the Council. The Council has adopted the codes and the Treasury Management Strategy Statement 2014-17 reflects the updated codes.

One element of the revised Treasury Management Code is that the wording of the Treasury Policy Statement must be amended to include the reporting of financial instruments used to manage risks. The revised statement also now includes high level policies for borrowing and investments.

5.5 Asset Management

After its staff the council's land and property is the next biggest resource. The Asset Management Plan is vital to ensure that this resource is utilised and managed effectively and efficiently so that the council derives maximum benefit from its assets in support of its strategic aims and priorities, as well as use the asset base to shape and influence the quality of life for local people and businesses.

Assets will therefore only be retained where it can clearly be demonstrated that they:-

- contribute to the effective delivery of business provision (i.e. the condition and performance of the asset does not impede service delivery);
- support and meet the social, economic and environmental well-being objectives of the community;
- assist in the delivery of the Wirral's strategic, economic and regeneration objectives and/or;
- provide value for money (in respect of their current or future investment, capital value and/or ability to influence regeneration).

Where assets do not satisfy the above criteria consideration will be given to the asset either being better utilised, freeing up accommodation elsewhere or disposed.

The asset will be reviewed on a regular basis to challenge the retention of assets on the grounds stated above. A review of accommodation and buildings is on-going which, it is anticipated, will generate savings. A review of the rest of the operational estate has also recently commenced which will look at opportunities for the generation of capital receipts.

Key Challenges

In developing an asset management plan it will need to be flexible to take account of and accommodate a variety of factors and challenges which will impact on the future of the asset base. In summary these include:-

- The reduction in Local Government funding over the coming years and the year on year reduction in available revenue and traditional forms of grant funding;
- Changes in legislation;
- Global and national economic climate and the influence of the local property market;
- Protection of key front line services and better alignment of asset provision to service delivery;
- Growing gap between required investment in the asset base (to tackle maintenance backlog and known growth items) and the availability of funding;
- Maintain existing income levels from letting/use of Council premises by third parties.

6 Risk Management and Business Continuity

The MTFS demonstrates how financial planning over the medium term enables Wirral Council to invest in its priority services, and deliver its objectives within the resources available, whilst ensuring the sustainability of the Council's finances over future years. The degree of certainty about assumptions and figures reduces in relation to future years, so it is vital that the council has the flexibility to manage the risks of reduced funding and growing costs and demands.

Wirral Council is also budgeting to hold a suitable level of general balances, based on an assessment of the financial risks facing the authority. This is summarised in the above section on General Fund Balances and Earmarked Reserves. The level of risk is below the level of balances currently held, which is therefore deemed to be at an appropriate level. The level of balances and reserves will be reviewed on an ongoing basis. Whilst many budgets carry a low level of risk, assumptions concerning demand led services can prove to be inaccurate. Where overspending occurs, directorate monitoring procedures allow it to be identified and addressed at an early stage. These procedures may not be sufficient to mitigate all risk and a residual risk is recognised.

Anticipation of future demand and cost uncertainties are further mitigated by establishing earmarked reserves and drawing them down as need requires.

A statement on the robustness of the estimates for 2014/15 to 2016/17 was reported to Cabinet on the 12th February 2014 giving reasonable assurances about the estimates and setting out the key processes that were followed including:-

- the issuing of clear guidance on preparing budget growth and savings options for the three year period 2014/17;
- peer review by finance staff involved in preparing the standstill [base] budget namely the existing budget plus necessary inflation;
- the use of budget monitoring, and re-alignment of budgets with current demand for 2013/14 and future years;
- a review by the Chief Executive Strategy Group, supported by a series of officer challenge sessions, of proposed savings and their achievability;
- a Member review and challenge of each proposal through the Policy & Performance Committees and Cabinet;
- the Director of Resources providing advice throughout the process on robustness, including inflationary factors, avoiding unallocated savings and reflecting current demand and service standards (unless standards and eligibility are to be changed through a change in policy);
- extensive consultation with the public and various groups including the voluntary sector and community and faith groups.

7 Managing the Medium Term Financial Strategy

7.1 Achieving a Balanced Budget 2014-17

2014/15 Financial Strategy

In developing the 2014/15 Budget the approach to balancing the budget initially focused in February 2013 on the agreement of a range of savings in areas which were identified as those that would affect residents less. This prioritised this type of saving over those that would have greatest effect on residents. Further details of the approach are set out in section 3.3.

Further savings for 2014/15, 2015/16 and 2016/17 were agreed in December 2013. In developing this tranche of savings the Council has adopted a number of principles when proposing budget options. The budget consultation used a priority approach to assess savings options under the following classification of savings:

- Being more efficient – Making sure that we deliver our services in the most cost effective way possible – streamlining processes, joining up our back office functions and never wasting money on administration that could be invested in services.

- Working together – working more in partnership with others in the public, community, voluntary and faith sectors, reducing duplication and delivering better outcomes for residents.

- Promoting Independence –moving away from the Council doing everything and instead encouraging self help and community empowerment and resilience.

- Targeting resources – we have to target our resources on those who need our help the most – this will mean cuts in some services – which we are trying to deliver in a way that is both fair and equitable.

2015/16 – 2016/17 Financial Strategy

To tackle the magnitude of the future financial challenge 2015/16 to 2016/17 requires a new 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 Corporate Plan and its objectives. It is clear that in the period 2014-17 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 our priorities as set out in the Corporate Plan. Since 2010 the Council has examined and challenged the way services are delivered. A lot has been achieved through examining the way our services are being delivered to make cost efficiencies.

The period 2015/16 – 2016/17 will see further reduction in grant funding. There will be significant reduction 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 the ways of working at the heart of the Council.

However, efficiencies alone cannot solve our funding gap. To resolve the Council must evaluate everything it does, to ensure that we deliver the most sustainable, effective and targeted services possible for our communities.

The One Council approach to change will be one of the key delivery mechanisms used to identify savings in 2015/16 and 2016/17. To implement this every department and service is to be evaluated to assess how services will be delivered in the future. It will examine the structure and make up of the entire Council, its skills, priorities and size. Work is currently underway to gather detailed information on what services do. For every department and service a business case will be used to review and determine how each service will be delivered. This will determine whether it is:

- Delivered directly by the Council.
- Delivered in partnership with other public sector organisations.
- Delivered in another way through the commissioning of services from other providers in the public, private or voluntary sector.

The outcome will be the delivery of a key saving. It will also identify and reduce duplication at the same time as bringing together services to achieve economies of scale. A further result should be the prioritisation of council resources.

There are four key principles to how the Future Council work will be carried out.

1. **All proposals for changes will be subject to a sound business case and options appraisal.**
   This means that **all** options will be assessed to ensure they make good financial and business sense for the council. This approach will be used consistently across the council which means we will be able to make the necessary reductions in staffing in a targeted,

strategic way. A fair and consistent approach will be taken to all employees regardless of service area.

2. **Every team will be assessed.**
   Regardless of how a service may be delivered in the future, all teams will be assessed using the same business case process, as explained above. All teams will be evaluated to see how staffing structures and service delivery can be made more efficient.
3. **Nothing will be done in isolation.**
   Wherever possible, any data or information which is collected will be used to inform all parts of the 'Future Council' project, to avoid duplication.
4. **Communication will be regular.**
   Regular updates will be given through the Chief Executive's weekly email, meetings with groups of employees and 'One Brief'.

The project will cover every council service and includes several key strands of work.

- Remodelling the structure, size and make up of the council;
- Proposals to share services with Cheshire West and Chester, and Cheshire East councils;
- Transforming Business Support - creating consistent, effective administrative and related support across the council;
- A new grading structure and pay line.
- Challenging the delivery models for every service and decommissioning of non priority services

The Future Council project will be one of the key ways savings are identified from 2014. Further work will be undertaken in the coming year, linked to the Corporate Plan, to prioritise resources to the achievement of priorities in addition to identify ways that the Council's funding gap will be closed. This work will result in further plans to implement the medium term financial strategy in the period 2015/16 to 2016/17. Further reports detailing the development of plans will be presented to Members as part of the budget and strategic financial planning process. The approach to commissioning, an outcomes approach to it and a focus on lifecourse thinking (early years, childhood and adolescence, adults, older age, end of life) will be key to a focused discussion and decision making approach to the changes required. 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 and protecting future income streams e.g business rates.

Whilst the Future Council project provides a framework for savings the Council continues to assess the more "traditional" approaches to closing our funding gap and balancing our budget. These will include the following:

- Service Reductions – identifying areas where services standards can be reduced or services decommissioned.

- Review Expenditure – across all departments expenditure in specific areas will be examined, this includes looking for savings through the commissioning and procurement of services.

- Income Generation – examine fees and charges and explore the potential for new and increased income from existing areas. This includes a focus on business rates and the effect of regeneration policy and success on the income of the Council.

- Asset Review – examination of the Councils asset base and rationalise to ensure that our properties are in line with our service needs.

- Council Tax Levels – additional income beyond that included in the estimated forecast income for 2015/16- 2016/17 could be realised. However this needs to be assessed against any Council Tax Freeze Grant made available by the Government and the requirement to hold a local referendum in the increase exceeds the amount specified for this to take place.

- Change Future Assumptions – future areas of budgetary growth will be examined to, where possible, reduce the level of financial demands.

7.2 Equality

Equality and diversity themes are embedded into policy development and service planning as well as the budget planning process. We 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.

7.3 Consultation

As part of the preparation of the budget for 2014/15 the Council has consulted on its budget proposals, What Really Matters 2013, to achieve the required savings target included in the Medium Term Financial Strategy by a number of means including:-

- Public consultation sessions with over 100 events were held at many locations throughout the borough, including supermarkets, community centres and libraries;
- A programme of direct engagement events;
- Online communications with emails being sent to Wirral residents;
- Council website also via social media, as well as partner and community owned websites;

- Regular communications were also provided via local and regional media organisations;
- Statutory consultation with the voluntary, community and faith organisations;
- Use of a dedicated email address to ask questions and put forward comments/ suggestions;
- Staff consultation via meetings;
- Trades Union Consultation via meetings with representatives;
- Scrutiny of budget proposals by Overview and Scrutiny Committees;
- Consultation on specific service budget proposals as necessary.

7.4 Review of 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 budget set for 2014/15 reflects the strategy contained in this MTFS through the minimisation of cost pressures and the plans for savings. It is clear that further savings in the coming years are required to close the funding gap. The MTFS will be reviewed and updated at regular intervals during 2014/15 to assess the Council progress towards this key objective.

Appendices

Appendix 1 Capital Strategy 2014-17
Appendix 2 Treasury Management and Investment Strategy 2014-2017

Appendix 1

WIRRAL COUNCIL

CAPITAL STRATEGY 2014-17

CONTENTS

1 PURPOSE AND AIMS OF THE STRATEGY

1.1 The Capital Strategy has been developed as a key document that determines the council's approach to capital. It is an integral aspect of the Council's medium term service and financial planning process as reflected in the Medium Term Financial Strategy (MTFS).

1.2 The Capital Strategy is concerned with, and sets the framework for, all aspects of the Council's capital expenditure over the 3 year period 2014/15 to 2016/17 – its planning, prioritisation, management and funding. It is closely related to, and informed by, the Council's Asset Management Plan and other strategies. It is also essential that the Strategy reflects the wider private sector investment into the overall regeneration of the area.

1.3 The Capital Strategy is reviewed on an annual basis to ensure it continues to reflect the changing needs and priorities of the Council, the borough and our relationships with partners.

1.4 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 Council's Corporate Plan objectives;
- consider options available to maximise funding for capital expenditure;
- identify the resources available for capital investment over the three year planning period;

1.5 The Capital Strategy does not allocate resources. This function is undertaken as part of the decision making process with the Capital Programme being part of the annual budget setting process.

2 INFLUENCES ON THE CAPITAL STRATEGY

2.1 The Council is still faced with unprecedented change and uncertainty which affects all of the public sector and the following are some of the major influences on our Capital Strategy.

2.2 The Coalition Government has put in place stringent reductions in revenue and capital grant funding for public services, with a strong drive towards austerity and value for money. Local authorities are facing rising demand and expectations for Council services. The Council is seeking creative new ways of providing services which may require capital investment to deliver best value for our communities and taxpayers.

2.3 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.

2.4 Strategic asset management. Capital and assets are two sides of the same coin and it is vital that our Capital Programme complements our emerging Asset Management Plan. The challenge is to generate capital receipts and to turn the inefficient properties into efficient ones or dispose of them. Our asset rationalisation and disposals policy is now more rigorous as there is a need to create funding for future capital schemes.

3 CAPITAL INVESTMENT

3.1 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.

3.2 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 new focus on our strategic and financial priorities.

3.3 Capital plays an important role in delivering long term priorities as it can be targeted in creative and innovative ways. However capital is not unlimited or “free money” – our capital funding decisions can have major revenue implications. Two 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.

3.4 On present interest rates every £1 million of prudential borrowing costs approximately £90,000 per annum in financing costs (revenue) up to a maximum of 25 years. This is in addition to any ongoing maintenance and running costs associated with the investment.

3.5 The MTFS shows the pressures on the Council Revenue Budget for 2014/17. These pressures severely limit the scope for unsupported capital expenditure (expenditure that generates revenue costs).

3.6 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.

4. PRIORITISING CAPITAL INVESTMENT

4.1 As the Council has to manage demands for investment within the financial constraints that Wirral operates there has to be a means to prioritise investment. Therefore prioritisation criteria have been developed to assess any capital bids that ensure the Programme is targeted to Council priority areas. The criteria are applied by the Capital Working Group in assessing individual bids and in making recommendations to Cabinet as to which should be included in the Capital Programme.

4.2 All capital bids require the completion of a Business Case that requires

- Outline of the capital scheme or investment.
- The linkages of the submission to delivering Council priorities.
- Details on the total capital cost and funding.
- Risks associated with implementation / non-implementation.

4.3 The prioritisation criteria are reviewed annually to ensure they continue to reflect the changing needs and priorities of the Council, the borough and our relationships with partners.

5 CAPITAL PROGRAMME

5.1 The Capital Programme should support the overall objectives of the Council and act as an enabler for transformation of the Councils aims and priorities.

5.2 Over the last three years Wirral will have spent on average £39 million per year on capital projects. We plan to invest £75 million over the next three years of this £27.4 million or 36% of the programme is funded from unsupported borrowing. This will generate a revenue cost of £2.3 million by 2017, which will impact on our revenue budget.

6 CAPITAL EXPENDITURE

6.1 Capital expenditure is defined under the Financial Reporting Standard (FRS) 15 as expenditure which falls into one of two 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 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.

7 CAPITAL FUNDING SOURCES

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

Borrowing

7.2 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.

7.3 As a guide, borrowing incurs a revenue cost of approximately 8% 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 £0.9 million.

7.4 The Government has given Local Authorities greater freedom in the way they provide for their debts. Local Authorities 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.

7.5 The Council has determined that the most prudent method of earmarking revenues to repay unsupported borrowing is by matching the debt repaid each year to the life of the asset which the borrowing helped to finance. As an example, if the Council borrowed £5 million to build a new asset with a life of 20 years then revenue costs would be £0.25 million each year for 20 years plus the interest cost of the borrowing.

Grants

7.6 The challenging financial environment means that national government grants are reducing, or changing in nature. A large proportion of this funding is currently unringfenced which means it is not tied to particular projects but it is often tied to a particular area such as education or highways so we do not have complete freedom on where to spend our grants. Our aim is to use only up to the level of grant provided and we will not use unsupported borrowing to 'top up'. However, we must also meet our statutory obligations and where the grant is not sufficient, other sources of funding will be sought to fund the gap.

Capital Receipts

7.7 Capital receipts are estimated and are based upon the likely sales of assets as identified under the developing Asset Management Plan. These include development sites, former school sites and the agreement with Wirral Partnership Homes / Magenta Living for the sharing of receipts from sales of former Council houses. Receipts are critical to delivering our capital programme and reducing the level of borrowing we require.

Revenue / Other Contributions

7.8 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.

8 CAPITAL PROGRAMME MANAGEMENT

8.1 This officer Capital Working Group oversees the co-ordination and management of the Capital Programme. The Group includes representatives from all Directorates and the Terms of Reference of this Group include:-

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

The role of the Capital Working Group (Disposals) is to maximise Capital Receipts from the sale of surplus assets.

8.2 The Capital Programme is kept under continual review during the year. Each scheme is allocated a project officer whose responsibility is to ensure the project is delivered on time, within budget and achieves the desired outcomes.

8.3 Cabinet will receive monthly reports on the progress of the Capital Programme and its funding. This includes recommendations to change the Programme to reflect movements in resources and variations from planned spending on schemes.

CAPITAL PROGRAMME PRIORITISATION EVALUATION CRITERIA

Scheme Title				
		(A) Score 1 to 5	**(B) Multiplier**	**Weighted Score (A x B)**
A	**Direct Links to Council Themes (18%)**			
1	Investing in our future		6	
2	Promoting independence		6	
3	Transforming the Council		6	
B: Outcomes (32%)				
1	Realistic and detailed time table with key events and dependencies rigorously addressed		5	
2	Realistic and clearly stated outcomes with achievable, measured outputs that the investment will produce.		15	
3	Demonstrates need for, benefits of and priority for investing and evaluation of alternate options.		12	
C: Finance (50%)				
1	Business case demonstrates achievable and realistic revenue savings.		15	
2	Attracts noticeable outside funding		20	
3	Accommodates all revenue borrowing or ongoing revenue running costs.		15	
OVERALL WEIGHTED SCORE				
(Scoring scheme: 1 poor, 2 below average, 3 average, 4 good, 5 very good) A scoring threshold of 300 has been used to determine those schemes to be recommended for inclusion in the Capital Programme.				

Wirral Council Treasury Management Strategy Statement 2014-17

CONTENTS

APPENDICES

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 CLG's Investment Guidance (revised 2010).

1.2 This Statement 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 Wirral 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. 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 2014-17.
- Annual Investment Strategy for 2014/15
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Prudential Indicators for 2014/15, 2015/16 and 2016/17
- Authorised Signatories for Treasury Management Activity

2. CAPITAL FINANCING REQUIREMENT

2.1 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, through, the utilisation of investment balances, sometimes known as internal borrowing.

2.2 The Authority's current level of debt and investments are set out 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-14 Estimate £m	31-Mar-15 Estimate £m	31-Mar-16 Estimate £m	31-Mar-17 Estimate £m
Capital Financing Requirement (CFR)	360	362	351	335
Less: Existing Profile of Borrowing and Other Long Term Liabilities	277	257	247	237
Cumulative Maximum External Borrowing Requirement	**83**	**105**	**104**	**98**
Usable Reserves	60	47	40	38
Cumulative Net Borrowing Requirement	**23**	**58**	**64**	**60**

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 is required.

3. BORROWING STRATEGY

3.1 The Authority currently holds £222 million of loans, a decrease of £25 million from March 2013, 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 borrow up to £105 million in 2014/15. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £357 million.

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 next 2-3 years 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. 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 2014/15 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.5 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

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

- PWLB
- Local authorities
- Any institution approved for investments
- Any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds (with the exception of Merseyside Pension Fund)

- Capital market bond investors
- Special purpose companies created to enable joint local authority bond issues
- Leasing

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

Type of borrowing

3.8 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 by reference to the spread between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% will result in an immediate review of the borrowing strategy to determine whether the exposure to short dated and variable rates is maintained or altered.

LOBOs

3.9 The Authority has £155m of exposure to LOBO loans (Lender's Option Borrower's Option) of which £145m of these can be called within 2014/15. 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.

3.10 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

3.11 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.

3.12 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

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

3.14 Borrowing and rescheduling activity will be reported to Cabinet in the Annual Treasury Management Report and the Treasury Management monitoring 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 As at 31 December 2013, the Authority held £50 million 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 £42 and £143 million, and similar levels are expected to be maintained in the forthcoming year, depending of the levels of grant received and the payment profiles.

4.4 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Specified investments are sterling denominated investments with a maximum maturity of one year. They would also not be deemed capital expenditure investments under Statute. Non-specified investments are effectively, everything else. Both types of investment would have to meet the high credit quality as determined by the Authority.

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

4.6 There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive are implemented. In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority’s treasury management adviser.

4.7 **Current Account Bank:** Following a competitive tender exercise held in 2012, the Authority’s current accounts are held with Lloyds Bank plc which is currently rated above the minimum A- rating in Appendix C. Should the credit ratings fall below A-, the Authority may continue to deposit surplus cash with Lloyds Bank plc providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB - (the lowest investment grade rating).

Registered Providers: Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

Building Societies: The Authority takes additional comfort from the building societies’ regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority’s deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

Money Market Funds: These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. The Authority will also seek to restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of

Government Liquidity Funds, the Council's exposure to a Fund will not exceed 2%.

Other Pooled Funds: Subject to the Authority having substantial cash balances available it will continue to use pooled bond, equity and property funds that offer enhanced returns over the longer term, but are potentially more volatile in the shorter 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. The Authority's current investments in pooled funds (other than MMFs) are with the Payden and Rygel Sterling Reserve Fund.

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 [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 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. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. 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.

4.15 **Approved Instruments:** The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
- certificates of deposit,
- bonds, notes, bills, commercial paper, other marketable instruments, and
- shares in money market funds and other pooled funds.

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.

4.16 **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 pessimistic basis, with receipts under-estimated and payments over-estimated 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.

4.17 **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.

4.18 The Director of Resources, 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 AS REQUIRED BY CIPFA OR CLG

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 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 every six months as part of the staff Key Issues process and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose 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 use Arlingclose Ltd. as independent treasury advisors who provide the following services:

- Credit advice
- Investment advice
- Technical advice

- Economic & interest rate forecasts
- Workshops and training events

The Treasury Management Team within Accountancy 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 2014/15 the total amount borrowed will not exceed the authorised borrowing limit of £357 million. 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 F. 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 Financial Services undertakes the treasury management activities.

7.3 Decisions on short term investments and short term borrowings may be made on behalf of the Director of Resources by the Finance Manager for Treasury Management and Capital 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 Director of Resources by the Finance Manager or the Senior Assistant 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 To ensure adherence to this, the Director of Resources will report to Cabinet on treasury management policies, practices and performance as follows:

- Quarterly against the strategy approved for the year.
- 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 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.

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 13 **£m**
External Borrowing:	
Fixed Rate – PWLB	65
Fixed Rate – Market	157
Variable Rate – PWLB	0
Variable Rate – Market	0
Total External Borrowing	222
Other long-term liabilities:	
PFI	54
Finance Leases	1
Total Other Long-Term Liabilities	55
Total External Debt	277
Investments:	
Managed in-house	
Deposits with Banks and Building Societies	14
Deposits with Money Market Funds	2
Deposits with other Public Sector Bodies	18
Deposits in Supranational Bonds and Gilts	7
Managed externally	
Payden Sterling Reserve	1
Total Investments	42
Net Borrowing Position	235

APPENDIX C

APPROVED INVESTMENT COUNTERPARTIES

Specified Investments

New specified investments will be made within the following limits:

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit
Term Deposits Call Accounts	UK	Other UK Local Authorities	Maximum of 15% per authority
Term Deposits Call Accounts Certificates of Deposit	UK and Non-UK	Counterparties rated at least A- (or equivalent) Long Term in the UK and select non-UK countries with a Sovereign Rating of at least AA+	Maximum of 15% per counterparty
Gilts	UK	DMO (Debt Management Office)	Maximum of 25% of portfolio
T-Bills	UK	DMO (Debt Management Office)	Maximum of 100% of portfolio
Money Market Funds	UK/Ireland/ Luxembourg domiciled	Constant Net Asset Value (CNAV) MMFs Variable Net Asset Value (VNAV) MMFs	Maximum of 10% of portfolio per MMF
Other MMFs and CIS	UK/Ireland/ Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	Maximum of 10% of portfolio per fund/scheme

Non-Specified Investments

Instrument	Maximum maturity	Max %/£M of portfolio	Capital expenditure?
Term deposits with banks, building societies which meet the specified investment criteria (on advice from TM Adviser)	*2 years*	15% per Counterparty	No
Term deposits with local authorities	*5 years*	15% per Counterparty	No
CDs and other negotiable instruments with banks and building societies which meet the specified investment criteria (on advice from TM Adviser)	*5 years*	15% per Counterparty	No
Investments with organisations which **do not meet** the specified investment criteria (subject to an external credit assessment and specific advice from TM Adviser)	*3 months*	*£5m per counterparty*	No
	1 year	*£1m per counterparty*	No
	2 years	*£1m per counterparty*	Yes/no[1]
Deposits with registered providers of Social Housing with a credit rating of BBB- or higher	*5 years*	15% per Counterparty	No
Gilts	5 years	25% per Counterparty	No
Bonds issued by multilateral development banks	5 years	15% per Counterparty	No
Sterling denominated bonds by non-UK sovereign governments	5 years	15% per Counterparty	No

[1] Depending on the nature of the transaction with the third party

Money Market Funds and Collective Investment Schemes	These funds do not have a defined maturity date	15% per fund	No
Corporate and debt instruments issued by corporate bodies purchased from 01/04/12 onwards	*3 years*	15% per Counterparty	No
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573 and subsequent amendments	These funds do not have a defined maturity date	15% per fund	Yes

APPENDIX D

PRUDENTIAL INDICATORS

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.

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.

Table A:

	2013/14 Approved £000	**2013/14 Revised £000**	**2014/15 Estimate £000**	**2015/16 Estimate £000**	**2016/17 Estimate £000**
Capital Expenditure	**37,464**	**36,644**	**46,675**	**17,468**	**11,020**

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

Capital Financing	**2013/14 Approved £000**	**2013/14 Revised £000**	**2014/15 Estimate £000**	**2015/16 Estimate £000**	**2016/17 Estimate £000**
Supported Borrowing	0	0	0	0	0
Unsupported Borrowing/Capital Receipts	11,041	14,511	22,217	9,824	4,376
Capital Grants	25,535	20,502	24,168	7,644	6,644
Revenue Contribution	888	1,631	290	0	0
Total Financing and Funding	**37,464**	**36,644**	**46,675**	**17,468**	**11,020**

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 is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Table B:

Incremental Impact of Capital Investment Decisions	2013/14 Approved £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Increase in Band D Council Tax	8.61	10.55	16.88	5.75

4. **Ratio of Financing Costs to Net Revenue Stream**

The estimate for interest payment in 2013/14 is £14.2 million and for interest receipts is £0.6 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	2013/14 Estimate %	2014/15 Estimate %	2015/16 Esimate %	2016/17 Estimate %
Ratio	8.7	10.0	10.9	11.3

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	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Esimate £m	2016/17 Estimate £m
CFR	365	360	362	351	335

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, gross debt will only be for a capital purpose. In order to ensure this the Authority should ensure that debt does 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 2013/14, nor does the Director of Resources envisage any difficulties meeting it in future years. 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) as at 31 March 2013 was **£306m**. 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 2013	**2012/13 £m**
Borrowing	247
Other Long Term Liabilities	59
Total	**306**

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 determined under Section 3 (1) of the Local Government Act 2003.

Table F:

Authorised Limit for External Debt	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Borrowing	489	373	357	344	331
Other Long-term Liabilities	8	85	85	85	85
Total	**497**	**458**	**442**	**429**	**416**

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 G:

Operational Boundary for External Debt	**2013/14 Approved £m**	**2013/14 Revised £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Borrowing	361	363	347	334	321
Other Long-term Liability	80	80	80	80	80
Total	**441**	**443**	**427**	**414**	**401**

The Director of Resources 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 H:

	2013/14 Approved %	2013/14 Revised %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Upper Limit for Fixed Interest Rate Exposure					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
Net	**200**	**200**	**200**	**200**	**200**
Upper Limit for Variable Interest Rate Exposure					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
Net	**200**	**200**	**200**	**200**	**200**

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 I:

Maturity structure of fixed rate borrowing	Lower Limit 2014/15 %	Upper Limit 2014/15 %
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 J:

	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Upper Limit for total principal sums invested over 364 days	30	30	30	30	30

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 (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- 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

2014/15 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 Guidance on Minimum Revenue Provision most recently issued in 2012.

1.2 The broad aim of the CLG 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 CLG 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 31 March 2008, incorporating an "Adjustment A" of £11.5 million. (Option 1 in England & Wales)

1.5 For unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments starting in the year after the asset becomes operational. (Option 3 in England and Wales). For prudence, when Option 3, the asset life method, is applied to the funding of an asset with a life greater than 25 years the Council will apply a default asset life of 25 years. Estimating assets lives over 25 years is difficult to achieve accurately; therefore, using a default of 25 years is considered the most prudent approach and is in keeping with the Regulations.

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 Capital expenditure incurred during 2014/15 will not be subject to a MRP charge until 2015/16.

1.8 The MRP Statement will be submitted to Council before the start of the 2014/15 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 31 March 2014, the budget for MRP has been set as follows:

	31.03.2014 Estimated CFR £m	**2014/15 Estimated MRP £m**
Capital expenditure before 01.04.2008	186.1	7.3
Supported capital expenditure after 31.03.2008	10.9	0.5
Unsupported capital expenditure after 31.03.2008	48.1	2.1
Finance leases and Private Finance Initiative	55.4	2.2
Transferred debt	59.6	4.9
Loans to other bodies	0	Nil
Total General Fund	**360.1**	**17.0**

APPENDIX F

Arlingclose's Economic and Interest Rate Outlook

Underlying assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1%, a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- The reduction in uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a house price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- The MPC will not hesitate to use macro prudential and regulatory tools to deal with emerging risks (such as curtailing the FLS). Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in Q1 2014. The US political deadlock over the debt ceiling will need resolving in Q1 2014.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment at the aggregate Eurozone level could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over

longevity of their coalitions). The ECB has discussed a third LTRO, as credit conditions remain challenging for European banks.

- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.
- On-going regulatory reform and a focus on bail-in debt restructuring is likely to prolong banking sector deleveraging and maintain the corporate credit bottleneck.

Forecast:

- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth. However, upside risks weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the soft fundamental global outlook and risks surrounding the Eurozone, China and US.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
3-month LIBID rate													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
Arlingclose Central Case	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.80	0.80
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
1-yr LIBID rate													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arlingclose Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
10-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
20-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
50-yr gilt yield													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Official Bank Rate													
Upside risk			0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month LIBID													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
Central case	**0.40**	**0.40**	**0.40**	**0.45**	**0.45**	**0.50**	**0.50**	**0.50**	**0.55**	**0.55**	**0.55**	**0.60**	**0.60**
Downside risk	-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
1-yr LIBID													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
Central case	**0.85**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**1.00**	**1.10**	**1.10**	**1.10**	**1.10**	**1.10**
Downside risk	-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
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Central case	**0.95**	**0.95**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**1.00**	**1.10**	**1.10**	**1.10**	**1.20**	**1.20**
Downside risk	-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
10-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
Central case	**2.00**	**2.00**	**2.05**	**2.05**	**2.05**	**2.05**	**2.10**	**2.10**	**2.10**	**2.20**	**2.20**	**2.20**	**2.20**
Downside risk	-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
20-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Central case	**2.90**	**2.90**	**2.90**	**2.90**	**3.00**	**3.00**	**3.00**	**3.00**	**3.10**	**3.10**	**3.10**	**3.10**	**3.10**
Downside risk	-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
50-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00
Central case	**3.35**	**3.35**	**3.35**	**3.40**	**3.40**	**3.40**	**3.50**	**3.50**	**3.50**	**3.50**	**3.60**	**3.60**	**3.60**
Downside risk	-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

Underlying Assumptions:

- UK growth is unlikely to return to above trend for the foreseeable future. Q3 GDP was strong at 0.9% but this momentum is unlikely to be sustained in Q4 or in 2013. The rebalancing from public-sector driven consumption to private sector demand and investment is yet to manifest, and there is little sign of productivity growth. Further contraction in the Eurozone, including Germany's powerful economy, and slower forecast growth in the emerging economies (Brazil/Mexico/India) are exacerbating the weakness.

- Consumer Price Inflation has fallen to 2.7 % from a peak of 5.2%. Near term CPI is likely to be affected by volatility in commodity prices and its decrease towards the 2% target is expected to be slower than previously estimated. Real wage growth (i.e. after inflation) is forecast to remain weak.

- The fiscal outlook for bringing down the structural deficit and stabilise debt levels remains very challenging. Weakened credibility of the UK reining its levels of debt poses a risk to the AAA status, but recent history (US, France) suggests this may not automatically result in a sell-off in gilts.

- In the absence of large, unexpected decline in growth, QE is likely to remain on hold at £375bn for now. The availability of cheaper bank borrowing and subsequently for corporates through the Funding for Lending Scheme (FLS) is a supporting factor.

- The US Federal Reserve's shift in its rate guidance from a date-based indication to economic thresholds (6.5% unemployment, inflation 1 – 2 years out projected to remain below 2.5%, longer term inflation expectations remain well anchored) is likely to increase market uncertainty around the highly volatile US employment data releases.
- The Eurozone is making slow headway which has curtailed some of the immediate risks although peripheral countries continue to struggle. Fully-fledged banking and fiscal union is still some years away.
- In the US, the issues of spending cuts, reducing the budget deficit and raising the country's debt ceiling remain unresolved. A failure to address these by March 2013 could lead to a similar showdown and risks a downgrade to the US sovereign credit rating by one or more agencies.
- A reversal in market risk sentiment from current "risk on" to "risk off" could be triggered by economic and/or political events – impending Italian and German elections, US debt ceiling impasse, difficulty surrounding Cyprus' bailout, and contagion returning to haunt the European peripheral nations – could inject renewed volatility into gilts and sovereign bonds.

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:

Director of Resources – Vivienne Quayle

Head of Business Processes – Malcolm J. Flanagan

Head of Financial Services – Tom Sault

Senior Finance Manager – Peter J. Molyneux

Senior Finance Manager – Jenny Spick

WIRRAL COUNCIL

CABINET

12 FEBRUARY 2014

SUBJECT:	**SCHOOLS BUDGET 2014/15**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF CHILDRENS SERVICES**
RESPONSIBLE PORTFOLIO HOLDER:	**COUNCILLOR TONY SMITH**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

This report recommends the approval of a Schools Budget for 2014/15 of £240,058,000 for early years, maintained schools, academies, colleges and providers in Wirral. This report was presented to the Schools Forum on 22 January 2014.

2.0 RECOMMENDATION

2.1 Taking account of the views of the Schools Forum that:

- The Dedicated Schools Grant (DSG) funded Schools Budget for maintained schools and academies is approved at the sum of £240,058,000.
- The headroom of £1,215,100 (detailed in para. 4.6) is allocated within the formula to all schools and early years providers.
- The High Needs Contingency totalling £908,900 is agreed.
- A reduction for Planned Programmed Maintenance (PPM) of £200,000 is agreed.
- The use of DSG reserves totalling £732,000 in setting the schools budget is agreed and the remaining balance for Automatic Meter Readers is reclassified as a reserve for installation of defibrillators.

3.0 REASONS FOR RECOMMENDATION/S

3.1 The Council is required to set a Schools Budget for 2014/15.

4.0 BACKGROUND AND KEY ISSUES

4.1 Schools Budget 2014/15

The Schools Funding Allocations were issued by the Department for Education on 18 December 2013. The basis of the grant continues to be the “Spend Plus” methodology introduced in 2006. There are four unringfenced spending blocks for each authority:

- Early Years Block
- Schools Block
- High Needs Block
- Other (2 Year Old funding and NQT induction)

DSG can only be used for the purposes of the Schools Budget

4.2 **Pupil Premium £16.8m**

4.2.1 The Pupil Premium provides funding for deprived pupils in addition to DSG. Now in its fourth year, a number of additional changes have been introduced.

4.2.2 The rates for pupils who are or have been eligible for Free School Meals (FSM) at any point in the last six years are

- Primary Schools - £1,300 (last year £953).
- Secondary Schools £935 (last year £900).

The rate for each Looked After Child or child that has been adopted since December 2005 is £1,900 (last year LAC £900). Then rate for each Service child remains at £300

4.2.3 Illustrative data based on 2013 gives a total Pupil Premium for 2014-15 for all schools and academies of £16.8m, an increase of £3.1m compared to the previous year.

4.3 **Dedicated Schools Grant (DSG) £237m**

4.3.1 DSG is made up of four unringfenced blocks. These funding blocks indicate levels of expenditure anticipated for each authority, although local spending decisions can and will reallocate resources according to needs and priorities as has been the case in previous years.

4.3.2 In the case of the Schools and the Early Years blocks these are updated for changes in pupil numbers. Pupil numbers for the Schools Block are those recorded in the October 2013 census, whereas Early Years Funding is a combination of the census in January 2014 and January 2015. The dates for the Early Years Census mean that the exact DSG will not be finalised until June 2015. The Early Years grant used for the purposes of the 2014/15 Schools Budget will be the indicative figures (based on January 2013).

The High Needs Block provides an allocation for the funding of all High Needs Students aged 0 – 24, including the Hospital School. New for this year are 2 sub blocks, one for schools (both pre and post 16) and one for post school education. This allocation is also indicative and will not be finalised until February / March when adjustments are agreed for place numbers with the EFA.

The Blocks in their current format can be summarised as follows:

	Block	**Pupil Numbers**	**Funding Per Pupil £**	**Allocation £**
1.	Schools Block	41,235	4,547.11	187,230,000
2.	Early Years Block	2,936	3,816.57	11,205,000
3.	High Needs Block – schools			32,217,000
	- post schools			1,101,000
4.	2 Year Old funding		.	4,925,000
	NQT induction			62,000
			Total	**236,740,000**

4.3.3 **Schools Block**

This funding covers the delegated budgets to mainstream schools and academies (totalling £183m in the appendix attached). In addition the block funds a number of budgets that are managed centrally on behalf of schools:

- Admissions
- Schools Forum
- Capital Expenditure from Revenue (PPM and PFI costs)
- Contributions to combined budgets
- Schools budget retirement costs (school closure)
- School Licences

In line with national guidance and with the exception of Licences and PFI these budgets have not been increased.

4.3.4 **Early Years Block**

This Block funds the costs of Early Years Education for 3 and 4 year old children in schools, nurseries and private voluntary and independent providers. Most of this funding is directed through the Early Years Single Funding Formula (EYSFF).

4.3.5 **High Needs Block**

The make up of this block is complex. It is based on the "place plus" system introduced by the DfE from April 2013 and includes:

- Special schools (pre and post 16), school bases and independent non-maintained `special schools. All receive a base level funding of £10,000 per place following agreement of place numbers with the Education Funding Agency (EFA).
- Alternative Provision Bases and WASP. This provision is funded at £8,000 per place.
- Additional funding over and above that provided for places will be paid in the form of "top ups". These will be provided on a per pupil basis. The top up, or "plus" element of funding, is based on the agreed assessed needs of pupils and is paid by the "commissioner" responsible; this may be Wirral Children's Services, a school or another Local Authority. In 2014/15 it is anticipated that a new banded top up system (with 5 bands) will be introduced and will be used to allocate funding to special schools, resourced based and alternative provision.
- The costs of all education and training for post 16 specialist and LLDD provision (top ups) to colleges and private providers.
- The Hospital Schools budget

4.3.6 **Other Block**

This funding is in respect of Free Education for 2 year olds. Parents whose children would meet the eligibility criteria for Free School Meals and Looked After Children have a statutory entitlement for 15 hours Early Years Education. In 2014/15 the programme for 2 year olds will be expanded to reach approximately 40% of 2 year olds. The allocations received reflect this and the costs of further capacity building.

Grant is not based on census data, but uses data from the Department of Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC)
From 2015/16 funding will be based on actual participation, using census data collected in January 2015.

4.4 **Academies**

Currently there are 14 secondary academies and there is 1 primary academy. There are another 3 conversions anticipated shortly. Academies are independent from the local authority and are funded directly from the EFA. Regulations require Wirral to continue to calculate their budgets.

The estimated grant reduction for Wirral will be £58m.

4.5 **Minimum Funding Guarantee (MFG)**

The MFG will continue in 2014/15, protecting schools from formula changes and changes in pupil data. This is an important element of schools funding given the recent changes that have been introduced to the formula. The MFG rate remains at minus 1.5%.

It is likely that the MFG will continue for some time and will be part of future funding reforms.

4.6 **2014/15 Budget Changes**

4.6.1 **Primary and Secondary Schools and Academies £183m**

The significant changes within this area are:

- Net Falling Rolls £1,147,800.The estimated secondary numbers (11-15) have reduced from 17,326 to 16,834 (a 3% reduction). The increase in primary numbers is from 24,280 to 24,668 (a 2% increase). The overall reduction in the ISB arises from the net fall in rolls and secondary funding per pupil being higher than primary schools.
- A transfer to the High Needs budget (SEN top ups) of amounts previously given to pupils at schools with Resourced Base Provision
- An increase in rates payable of £422,400. This increased cost reflects the 20% rates that are now payable for academies, an overall reduction in discretionary rate relief awards to schools and a 2% price increase.
- The budget contains an increase in school maternity costs of £150,000, this will be delegated to schools (and is subject to de-delegation decisions).
- Headroom £1,148,000. Headroom is growth within the budget and arises from the following:
  - a difference between pupil funding within the ISB and the overall pupil funding received through DSG/
  - An unallocated DSG surplus carried forward from 2012/13 of £472,000.
  - Surplus DSG balances for Automatic Meter Readers £250,000 and Excess School Balance deductions of £9,500.

Of the headroom referred to above £732,000 is an increase resulting from the application of these balances. Whilst this will increase school budgets in 2014/15 above that which would otherwise be available, schools should not plan for these additional sums beyond one year.

The average estimated increase is £6,600 for a Primary school and £26,000 for a secondary school.

4.6.2 **6th Form Funding**

The Schools Budget includes funding for High Needs students in 6th Forms. All other post 16 funding is through the National Formula via the EFA. Recent indications are that the EFA have no plans to change the design of this formula (but have announced a reduction of 17.5% in the funding rate for students aged 18 in 2014/15).

The formula is based on lagged learner numbers to which a national rate is applied for each student. This rate is weighted for study programme costs and student retention. There are additional amounts for disadvantage and Additional Learning Support (ALS), together with transitional protection until 2015/16.

Schools have been informed of their funding factors and learner numbers in January; overall allocations for the academic year 2014/15 will not be available until the end of March.

4.6.3 **High Needs £14.5m**

The main changes are:

- An increase of 10 places at Elleray Park Special School £100,000.
- An adjustment to add back the funding for 126 places at 3 Special School 6th forms. Revised Post 16 place funding will then be transferred to the EFA to be included through the National Funding Formula.
- A change in the place value for post 16. In 2013/14 places had a value of £10,977. This will be reduced from August 2014 to £10,000 in line with other High Needs provision.
- An increase in funding from amounts previously included in the main funding formula for Resourced Base places of £228,300.

4.6.4 **Early Years £15.3m**

The main change within this budget is to include additional funding for 2 year olds to enable the further expansion of provision from September 2014. An allocation of £977,400 has been received for 1,056 places in the Summer Term and £3,417,100 for 1,846 places from September. There is also an allocation of £530,100 for Trajectory funding. The rapid expansion of this area continues to be discussed with representatives from Early Years and the Schools Forum.
A share of Headroom / growth of £67,100 has been included within this area.

4.6.5 **SEN Top Ups £17m**

The proposed budget for SEN Top Ups is £17.0m. This budget reflects the additional support costs for individual pupils and takes into account pupils individual needs and the costs of facilities and support that is provided.

SEN Top Ups 2014-15		£
Statements	Early Years	292,200
	Primary	1,494,000
	Secondary (including 6th Forms)	2,037,900
	Exceptional Need	443,800
	Other	384,900
Special Schools (and 6th Forms)		6,068,300
Independent Non Maintained Special Schools		3,299,200
Home Teaching		248,600
WASP		448,000
SEN units - resourced and alternative provision		646,300
Further Education, 6th Form College and other providers		742,700
Contingency		908,900
	Total	**17,014,800**

Changes in costs which have been identified as part of the budget review are:

- **Statements**. A net reduction of £316,800. The budget anticipates that the numbers in the current year will continue into 2014/15.
- **Independent Special Schools**. A small increase of £43,900. The budget anticipates maintaining 81 placements.
- **Further Education and 6th Form College**. The additional amount of £180,000 arising from the full year cost of current placements to July 2014 and the anticipated placements from August
- **Contingency**. The contingency identified of £908,900 is required to cover the potential costs of:
    - Adjustments with the EFA for post 16 students. There are ongoing discussions about the costs of mainstream school and academy High Needs places (£6,000 per place) which potentially will cost £372,000.
    - Any unforeseen consequences arising from the implementation and review of High Needs Top Ups.
    - Unfunded growth in place numbers – there has been a small net increase in the planned number of High Needs places
    - Any mismatch between places identified with providers and places taken up.
    - Inflationary pressures within Non Maintained Special Schools.
    - Uncertainty about the overall statement numbers

The budget reflects the position as currently indicated, as described above there are some areas that require further clarification with the EFA. High Needs allocations will be revised over the coming months as Local Authorities and the EFA agree numbers to be funded in the region over a range of different providers.

4.6.6 Use of Reserves

There are a number of DSG reserves held totalling £2m at 31 March 2013. The Schools Budget for 2014/15 plans to use £0.7m of these. The reserves that will be used are:

- DSG £472,000. This is the net underspend on the schools budget in 2012/13. Grant conditions require that the underspend is carried forward to support the Schools Budget in future years.

- Automatic Meter Readers £250,000. This scheme will not now continue and this amount is a reduction to the current reserve of £415,000. It is recommended that the remaining balance is used to fund the installation and training in the use of defibrillators in schools.

- Excess Balances £9,500. This is a residual balance held following the withdrawal of the scheme in 2012.

5.0 INFLATION

5.1 No direct provision is included within the budget for pay awards. At this stage 1% awards for teaching and non-teaching staff are anticipated. Any costs arising from these changes in schools will need to be met from existing school budgets and the headroom that has been identified.

There is no general provision for price inflation, although costs for rates within the schools budget have been increased and the central PFI budget continues to reflect RPI increases.

6.0 CENTRALLY HELD SCHOOL BUDGETS

6.1 The budgets held for Contingency, Special Staff (maternity and trade union duties), the School Library Service, Insurance (Governors Aided), Behaviour Support and the Minority Ethnic Achievement Service have been delegated to schools.

The remaining centrally held budgets for 2014/15 cover:

- Equal Pay and harmonisation back pay (£450,000).
- the continuing premature retirement costs of teachers and staff that have arisen from closing schools (£326,000).
- the cost of licences for copyright and music in all schools and academies (resulting from a national agreement) (£152,000).
- School Admissions (£364,400).
- Planned Programmed Maintenance (PPM £449,000) and the PFI Affordability Gap (£2,586,500).
- Contributions to combined budgets (£2,336,200) as shown below:

Combined Budget Summary	£
Discretionary Rate Relief top ups	106,600
School Improvement	359,900
LSCB Contribution	30,000
School Sports Coordinator	25,000
School Intervention	674,500
City Learning Centres	814,700
Looked After Children Education Service	185,500
School Emoluments Wellbeing and Staff Surveys	44,600
Clinical Waste Disposal	11,600
Governors Forum	2,200
PFI Support Team	61,800
Use of School Swimming Baths	19,800
Total	**2,336,200**

The budgets held for Contingency, Special Staff (maternity and trade union facility time), the School Library Service, Insurance (Governors Aided), Behaviour Support and the Minority Ethnic Achievement Service (MEAS) form part of the budgets which have been delegated to schools, these total £1,886,600. Members of the Schools Forum agreed to de-delegate the above budgets for Primary and Secondary Schools (with the exception of Trade Union facility time for secondary schools).

6.2 C**arbon Reduction**

The Department for Energy and Climate Change have announced that all schools have been withdrawn from the Carbon Reduction Scheme from 2014-15. Therefore there is no longer a requirement to make provision for these costs. However the DSG received by Local Authorities has been top-sliced in order to offset the overall reduction in funding. The Top Slice is £270,000, compared to a budget provision in 2013/14 of £230,000.

6.3 **Insurance and Energy Costs**

School Insurance charges are estimated to increase in 2014/15 by 24% on average, although some charges will be higher and some lower depending on risk and claims history. The overall increases are mainly the result of higher costs for Liability Insurance and Schools having an increased share of the Council's overall payroll.

Increases for energy costs are estimated to be in the region of 6% in the coming year, although the overall amount will depend on tariffs and contract renewals later in the year.

7.0 BUDGET SAVINGS OPTIONS

There are a number of budget savings options for 2014-15 arising from working in partnership with schools. These have been progressed in discussions with schools and as part of this budget as follows:

- **Planned Programmed Maintenance £200,000**
  This is a savings option carried forward from 2013/14 and has been implemented by a reduction in the overall schools maintenance programme from £649,000 to £449,000. Whilst this will reduce the programme and transfer some costs to schools and capital, the reduction can be safely accommodated and results in a reduction in the Councils overall contribution to the Schools budget.

- **School Crossing Patrols £415,000**
  This option has been discussed with Headteacher groups with a view to it being funded by schools from their delegated budgets. The crossings would continue to be managed and staffed by Streetscene, but schools individually would meet the costs of the service.

- **Non Teaching Trade Union Facility Time £35,000**
  Secondary school representatives have not agreed to the delegation of Teaching or Non Teaching Trade Union costs. This means initially that the area will become a traded service with separate decisions required by each secondary school. Where agreement is not reached with the schools concerned, costs will need to be reduced.

- **Private Finance Initiative (PFI) Affordability Gap £2,300,000**
  This is a budget savings option for 2015/16. In 2014/15 these costs are funded in full by the Council, outside DSG. The PFI Affordability Gap is the shortfall between the cost of the Councils 9 school PFI contract (£11m) and the combined government grant (£5.5m) and the school contributions received (£3.0m). The net total is £2.6m. However restrictions within School Finance Regulations fix this saving at the net PFI costs in 2012/13.

8.0 RELEVANT RISKS

8.1 Setting the Schools budget enables school and provider budgets to be allocated taking account of DfE Regulations and timescales.

9.0 OTHER OPTIONS CONSIDERED

9.1 None

10.0 CONSULTATION

10.1 Consultation has taken place with the Schools Forum.

11.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

11.1 The Schools Budget provides Early Years funding for Private Voluntary and Independent Providers.

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

12.1 The Schools Budget for 2014/15 totals £240.1m and is funded from Dedicated Schools Grant / reserves of £237.5m and a council contribution of £2.6m for the PFI affordability gap.

12.2 IT, staffing and asset implications may arise from changes in pupil numbers and the level of funding.

13.0 LEGAL IMPLICATIONS

13.1 There are none arising from this report.

14.0 EQUALITIES IMPLICATIONS

14.1 Has the potential impact of proposals been reviewed with regard to equality?
Yes and impact review can be found via the following link:
http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010-0

15.0 CARBON REDUCTION IMPLICATIONS

15.1 Schools have been withdrawn form the financial aspects of the Carbon Reduction scheme with effect from 2014/15.

16.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

16.1 There are none arising from this report.

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REFERENCE MATERIAL

School Funding Allocations 18 December 2013.

SUBJECT HISTORY

Council Meeting	Date
Wirral Schools Forum Pupil Premium Schools Budget Report 2014/15 Delegation of budgets	22 January 2014

APPENDIX 1

SCHOOLS BUDGET SUMMARY 2014/15

		£000
Dedicated Schools Grant		236,740
Use of DSG and other reserves		732
Total Grant Funding		**237,472**
Schools Budget Base Expenditure		178,649
Add back 2013-14 Academy Baseline		58,655
		237,304
Change in ISB Costs		
Net falling rolls		(1,148)
Transfer to High Needs		(226)
School Rates increases and reducing DRR		423
Additional maternity costs for schools		150
Headroom / growth -	- Schools	1,148
	- Early Years	67
Expansion of provision for 2 year olds		1,703
		2,117
Changes in SEN / High Costs :		
Increase in Special School Places		100
School Top Ups		337
Post School Top Ups (FYE)		185
Reduction in Statements		(319)
Reduction in Resourced Base places		(120)
Post 16 adjustment Special Schools		889
Contingency		47
		1,119
Other changes in central costs:		
Increase (inflation) re PFI contracts		191
Cease Carbon Reduction Budget		(229)
Admissions		(87)
Reduce PPM programme		(200)
Reduce combined budgets		(164)
Other		7
		(482)
Total Schools Expenditure		**240,058**
Net Schools Budget		**2,586**

EDUCATION SCHOOLS

	Base Estimate 2013/14	Base Estimate 2014/15
Individual Schools Budget		
Primary Schools	92,058,800	95,028,500
Secondary Schools	31,788,300	88,032,000
Special Schools	8,690,000	9,678,900
SEN Bases	2,068,000	2,848,000
WASP	640,000	640,000
Wirral Hospital School	1,352,300	1,352,300
Early Years	13,514,600	15,337,000
Individual Schools Budget Total	**150,112,000**	**212,916,700**
Central School Costs		
Early Years	541,100	489,700
Admissions	452,500	365,400
School closure / retirement costs	326,000	326,000
Licences & Subscriptions	101,300	152,000
Carbon Reduction	230,300	-
Schools Forum	10,600	10,600
School Harmonisation Costs	450,000	450,000
Contribution to Combined Budgets	2,499,600	2,336,200
PPM	649,000	449,000
PFI affordability gap	2,395,400	2,586,500
Costs delegated to schools		
Library Service	198,400	
Insurances	55,200	
M E A S	253,800	
School Specific Contingencies	109,600	
Special Staff Costs	606,900	
Milk & Meals	13,900	
Behaviour Support	96,500	
High Needs Pupils		
SEN top Ups	8,298,600	8,825,900
Statements	5,332,900	4,641,100
Support For SEN	2,292,900	2,292,900
Indep Special School Fees	3,315,300	3,909,200
Education Out Of School	248,600	248,600
Special School Transport	58,200	58,200
Non Delegated School Costs Total	**28,536,600**	**27,141,300**
Total of Schools and Central Costs	**178,648,600**	**240,058,000**
Dedicated Schools Grant Total	**176,054,000cr**	**236,740,000cr**
Use of Reserves		**731,500cr**
Grand Total	**2,594,600**	**2,586,500**

WIRRAL COUNCIL

BUDGET CABINET

12 FEBRUARY 2014

SUBJECT:	**CARBON BUDGET 2013/14**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**ASSISTANT CHIEF EXECUTIVE**
RESPONSIBLE PORTFOLIO HOLDER:	**COUNCILLOR BRIAN KENNY**
KEY DECISION?	**YES**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to advise Members of the corporate and departmental progress made against the Carbon Budget 2013/14 (Appendix A) and the revisions that are required to meet Corporate Goals for 2014/15.

1.2 Council requested that a Carbon Budget be established (Council 14 December 2009, Minute 77 refers). The resolution included instructions to prepare carbon budgets for each department to be presented at Budget Cabinet and Council alongside the Council's financial budget.

1.3 The Corporate Plan 2013 – 2016 states that we should spend less on ourselves and obtain best value for every penny we spend. In the portion relating to Asset Management, the Transformational Projects report (Cabinet 23 May 2013, Minute 249 refers) identifies: the lowering of building running costs; carbon output; and associated penalties as measures that will deliver budget savings through reduced running costs. The Carbon Budget process promotes these aims.

1.4 The Carbon Budget is not a statutory requirement but is Wirral's only method of managing CO_2 emissions in order to reduce our carbon footprint and the costs associated with it.

1.5 The carbon budget is not financial but meeting the annual targets will have an impact on costs. Reductions in carbon emissions are achieved by reducing energy use and there are financial savings that will be made from the avoided costs of energy and CRCEES allowances.

1.6 This report does not contain exempt information.

2.0 BACKGROUND AND KEY ISSUES

2.1 **Background**

2.1.1 Members requested that a Carbon Budget be established (Council 14 December 2009, Minute 77 refers). The resolution included instructions to:

- Establish the Council's carbon footprint and quantify tonnes of CO_2 emitted as a direct result of Council operations for 2010 onwards;
- Prepare carbon budgets detailing emissions and efficiency targets for each department to be presented at Budget Cabinet and Council alongside the Council's financial budget; and,
- Report to Cabinet on progress being made by departments against their carbon target and the measures and projects being undertaken to reduce energy use and carbon emissions.

2.1.2 Since the Carbon Budget was approved by Cabinet on 22 February 2010 (Minute 335 refers) the method of apportioning emissions between Departments has altered to reflect the Asset List by service responsible for a site or building. Total emissions were not affected. This will alter further as the Asset List is updated to reflect organisational changes that are taking place.

2.1.3 Due to the time lags in obtaining comprehensive energy consumption data from energy suppliers, Carbon Budget figures do not match the Financial Year when the Carbon Budget report is presented. If the most recent complete financial year were to be used, the report would be unable to reflect the most recent trends.

2.1.4 Carbon emission figures for a twelve month period are calculated every six months. This information is used to compile a performance report and is used to encourage Departments to meet their carbon target and so aid the carbon management process. For the purposes of reporting on the carbon budget, the most recent carbon reporting period is used. In this case it is the reporting period from 1 October 2012 to 30 September 2013.

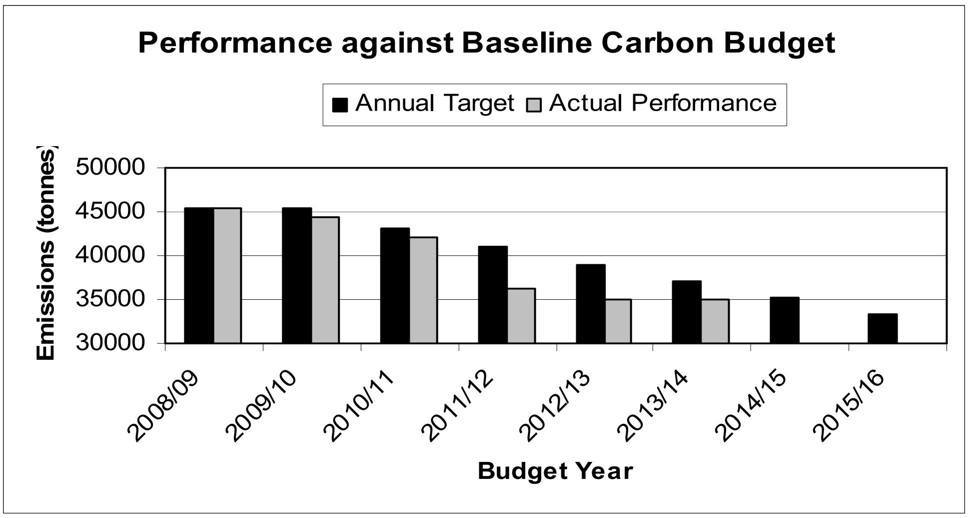
2.1.5 The Carbon Budget is made up of two parts:

- The Corporate Target which is based on the average annual reduction that is needed to meet the goal of reducing carbon emissions by 60% by 2025.
- Departmental Performance which is calculated from actual energy consumption. Annual Departmental targets are modified to reflect changes in the Council's estate and underperformance in previous years.

2.2 Corporate Target

2.2.1 The Corporate target is based on the aim of reducing emissions of CO_2 by 60% by 2025. The first carbon footprint was calculated for the 2008/09 financial year as 45,481 tonnes CO_2. This is the baseline figure on which corporate targets are based. In order to achieve the reduction within the required timescale, an average year on year reduction of approximately 5% is required in order to achieve a 2025/26 carbon footprint of 18,192 tonnes CO_2.

2.2.2 The chart below shows actual 12 month carbon emissions compared against the annual emissions targets set out in the Carbon Budget that was approved by Cabinet on 22 February 2010 and 18 February 2013. To date, the rate at which emissions have been reducing has exceeded that which is required to meet the 60% reduction target by 2025.



2.2.3 The corporate target for 2012/13 is 37,044 tonnes CO_2.

2.2.4 Wirral's calculated carbon footprint for the period 1 October 2012 to 30 September 2013 is 35,069 tonnes (Appendix A). If this does not change due to adverse weather or other factors (e.g. property acquisitions or major losses of plant efficiency), the corporate performance targets will be met for the current financial year 2013/14 and for the next financial year.

2.2.5 It is acknowledged that the Council is undergoing significant changes and will continue to do so over the next two years at least. In spite of these changes there is no reason why the corporate carbon footprint targets cannot be retained in a form that clearly leads towards reaching the 2025 goal.

2.3 **Departmental Performance**

2.3.1 Members directed that the Carbon Budget progress be presented on a departmental level and reported to Cabinet. At present, the Council is going through a process of restructuring. Organisational changes are in progress and are not yet recorded on the Asset List. The Carbon Budget will be updated to align to the emerging structure as soon as possible.

2.3.2 The performance target differs from the corporate target as it only presents carbon emissions and targets for the assets that remain in the Council's portfolio.

2.3.3 As an interim measure, in compliance with Members' instruction, targets and performance figures are included as Appendix A to align with the old structure as recorded on the Asset List. Taking account of the performance over the year 1 October 2012 to 30 September 2013, total emissions are calculated to be 16.08% higher than the 2013/14 performance target.

2.3.4 Actual emissions for 1 October 2012 to 30 September 2013 are 935 tonnes higher than those reported for the same 2011/12 period on 18 February 2013. The convention for reporting environmental indicators is to report absolute figures without compensating for extreme conditions. This largely explains apparent poor performance. Degree Day analysis for the Region suggest that energy for space heating was over 18% higher the previous year which implies a higher use of gas to maintain the same internal temperatures. October, November and December 2013 have been considerably warmer than the same period in 2012. This will be reflected in the year-end figures. Projects, community asset transfers and planned sale of assets realised before 31 March 2014 will also contribute to reducing the present shortfall.

2.3.5 It is recommended that the Departmental targets determined by the performance calculation method consistent with previous years be approved for the 2013/14 financial year on the understanding that the carbon budget method will be subject to review following organisational changes and the reduction in staff numbers and assets.

2.3.6 The Carbon Budget process will be further developed in light of anticipated changes to Phase 2 of the mandatory Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) and organisational needs. This process has been delayed as detailed guidance on CRCEES Phase 2 is not yet available.

2.4 **Current Initiatives**

2.4.1 Cabinet of 14 December 2009 directed the annual Carbon Budget report include progress against measures and projects to reduce energy use and carbon emissions. The current financial pressures mean that some proposed work may not go ahead in which case the planned carbon reductions will not be realised. However, it is relevant to demonstrate that the Council is planning to meet long term goals:

- Capital Projects for which carbon implications have been calculated represent a potential reduction of 922 tonnes CO_2.
- Planned Asset transfers and sales could further reduce the carbon footprint. The emissions reductions achieved will depend on the completion of the transfers.
- The impact of the recently completed pool hall ventilation improvements carried out at Europa Pools will be 348 tonnes CO_2 based on the design calculations. The installation of a Voltage Optimisation system at the site is projected to save an additional 46.7 tonnes CO_2 each year.
- Other projects, initiatives and service reviews that are in progress will also reduce carbon emissions. These include, but are not limited to Streetlight dimming, Parks and Countryside, printer rationalisation, boiler replacement and the CYPD Capital Programme.

2.4.2 The scheduled quarterly attendance at each Department's Departmental Management Team (DMT) meetings was suspended over the restructuring period. Changes in the Asset Management section were only completed in October 2013 and a delivery programme that can be delivered with reduced resources is under development.

2.4.3 A delegated year end Carbon Budget report for the 2012/13 financial year was approved by the Portfolio Holder and became effective on 2 October 2013.

2.4.4 It was agreed on 31 July 2012 to proceed with the development of an energy and carbon management framework that will comply with ISO 50001 (Energy management systems). This will clarify roles and responsibilities and give clear directions to achieve the structural carbon savings required. The system will be tailored to the Council's changing needs in order to drive down emissions, control costs and reduce risks. The development of the system has been delayed due to structural reorganisation. Work has started on a compliant Energy Management Policy that will provide the foundation of the system as required by the standard.

2.4.5 Training sessions for Building Attendants/Caretakers have continued and aim to improve the flow of information back to Management on issues around maintenance of equipment and plant and identified energy inefficiencies and waste. Local or strategic solutions may be required to address the issues raised and the appropriate approaches will be determined through appropriate channels.

2.4.6 Energy awareness raising messages aimed at all remaining Energy Champions and general staff have include Council Intranet news items and targeted advice for dissemination to colleagues.

2.4.7 Schools have been supported through Governor and Bursar training sessions and input to the "Eco-Schools" initiatives.

2.4.8 Individual building energy information is available via the energy database web access. This facility provides energy and carbon emission information that can be used to manage performance. Access to this information is accepted as good energy management practice and will become critical if the Council decides to adopt a Corporate Landlord/Tenant approach to its estate.

2.4.9 Departmental Management Teams have been provided with a series of actions on improving energy efficiency to communicate to their staff in the past. This will be reinstated at the earliest opportunity once new Departmental responsibilities are reflected in the Asset List

2.4.10 Report Authors are required to report carbon reduction implications due to projects and actions they have planned. Guidance on completing Section 10 of the report template has been circulated. Response has been inconsistent. If section 10 of the standard report template 'Carbon Reduction Implications', is properly completed, this process should be simple and straightforward.

2.4.11 The Carbon Budget is not the only emissions reporting mechanism. Wirral Council also reports emissions for the Carbon Reduction Energy Efficiency Scheme (CRCEES), and the Annual Greenhouse Gas Emission reports. Each reporting scheme differs in scope, emissions covered and measure reported. The CRCEES is the Government scheme that is the most closely regulated.

2.4.12 The Government has issued a report of the consultation on the simplification of the CRCEES. The scheme's managing agent, the Environment Agency issued updated guidance for the remainder of Phase 1 of the scheme in March 2013. Detailed guidance for CRC Phase 2 that starts on 1 April 2014 has yet to be issued. Once the guidance is received and its impact assessed, the Carbon Budget process will be reviewed in order that the reporting streams are brought closer together. This will make better use of officer time.

3.0 RELEVANT RISKS

3.1 The greatest risk is not meeting the required corporate targets set out in the carbon budget. Failure to meet targets will mean that energy costs and CRCEES charges could increase.

3.2 There is a risk that individual departments may not meet their targets. The Sustainability Unit will continue working with Management and staff over the restructuring period to help meet the carbon reduction targets and reduce this risk which also carries financial implications.

3.3 The absence of an effective carbon management system to deliver the Carbon Budget increases the risk of not meeting the targets that support the Corporate Plan. The agreed introduction of an ISO 50001 compliant energy management system will reduce this risk.

4.0 OTHER OPTIONS CONSIDERED

4.1 Regular reporting on the Carbon Budget on a departmental basis is based on the Council Resolution passed on 14 December 2009. The only other option is to do nothing which is not a reasonable alternative as it would increase the risk of increasing financial costs of the CRCEES and energy through the absence of any form of management.

5.0 CONSULTATION

5.1 The Sustainability Unit is now incorporated into the Building Services and Sustainability Team within Universal and Infrastructure Services and will engage with the renewed Management structure as it develops in order to consult, assist and inform on how to achieve carbon targets.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 The setting of the Council's Carbon Budget has no direct implications for voluntary, community and faith groups.

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

7.1 There are no direct financial implications arising from this report as it considers CO_2 emissions alone. It should be appreciated that a reduction in carbon emissions is normally associated with a corresponding reduction in energy use and consequent cost.

7.2 The table below shows the estimated financial impact of reducing emissions reported for CRCEES by 5% a year from a 2010/11 baseline in order to illustrate the magnitude of the saving associated with that scale of emissions reduction. The calculations assume that energy unit prices remain fixed at 2.5p/kWh for gas and 12p/kWh for electricity and that the CRCEES allowance charge remains at £12/tonneCO_2. It is also assumed that the ratio of gas to electricity consumption is stable. No account is taken of inflation. CRCEES emissions differ from those reported for the Carbon Budget because of the regulations covering their submission so the figures below are only indicative of the scale.

	Projected cost saving at current rates from 2010/11 baseline			
Financial Year	**CRC**	**Electricity**	**Gas**	**TOTAL**
2013/14	£21,865	£226,822	£111,313	£360,000
2014/15	£20,772	£215,481	£105,748	£342,001
2015/16	£19,733	£204,707	£100,460	£324,900
TOTAL	£62,370	£647,010	£317,521	£1,026,901

7.3 There are no IT implications arising directly from this report. However, it should be noted that IT systems and infrastructure contribute directly to emissions as they use energy.

7.4 There are no staffing implications arising directly from this report but it should be noted that employees' efficient and effective use of energy is vital to improving performance.

7.5 The rationalisation of the Council's estate will greatly assist in reducing carbon emissions. Reducing energy consumption and improving efficiency of its use will also help to control energy costs.

8.0 LEGAL IMPLICATIONS

8.1 There are no direct legal implications arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 The potential impact of the proposal has been reviewed with regard to equality and it is concluded that there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 Reducing Wirral's expenditure by spending less on ourselves has been identified as a priority in the Corporate Plan. Meeting Carbon Budget targets as set out in this report will reduce Wirral's Carbon footprint and contribute to meeting the goal. Reducing Carbon output is identified as a measure that will deliver budget savings through reduced running cost of Council assets in the Transformational Projects report (Cabinet 23 May 2013, Minute 249 refers). Carbon output will not be reduced without an effective management process that reports regularly on performance.

10.2 The Carbon Budget Performance chart (Item 2.2.2) shows that the Council is currently meeting annual targets to reduce emissions at a rate necessary to meet the Corporate goal of reducing emissions by 60% by 2025.

10.3 Actions and activities for 2013/14 that have been fully assessed suggest the Council could reduce CO_2 emissions by approximately 2,379 tonnes which would positively assist in meeting future emissions targets. However, financial, resource and other considerations could mean that some projects cannot proceed in the short term and that the carbon reductions associated with them will not be achieved.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 The disposal of Council owned properties could have planning implications.

11.2 Any future applications for planning permission would be assessed for compliance with the statutory development plan, which currently comprises: the Wirral Unitary Development Plan (saved by direction of the Secretary of State on 28 September 2007); the Council's emerging Core Strategy; and national planning policies.

11.3 There are no recommendations in this report that impact on Community Safety. However, carbon, energy and cost saving measures need to be assessed individually to ensure that Community Safety is not compromised.

12.0 RECOMMENDATION/S

12.1 It is recommended that:

12.1.1 Progress towards the 2013/14 target included in Appendix A be noted.

12.1.2 The Carbon Budget for 2014/15 included in Appendix A be approved.

12.1.3 The current Carbon Budget method is applied until the impacts of: the ongoing simplification of the CRCEES; and the Corporate restructuring are assessed and that Officers be instructed to report further to Members to make recommended alterations as a result of these processes.

12.1.4 Managers are directed to ensure that Carbon Reduction Implications of projects and initiatives are assessed and reported as required by the standard report template. Impacts must be reported to the Building Services and Sustainability Section to support the carbon management process.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 To set a Carbon Budget that will help the Council to meet local and national emissions targets, assist in the management and operation of the CRCEES and contribute to reducing energy consumption and costs.

13.2 To allow a review of the Carbon Budget method that will permit improvements to be implemented that will ensure it complements other mandatory schemes and removes duplication of effort.

13.3 Approval of interim target figures provides a performance measure aimed at achieving the long term corporate carbon reduction goal.

13.4 Reporting of carbon impact implications will support the carbon management process and reduce costs.

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APPENDICES

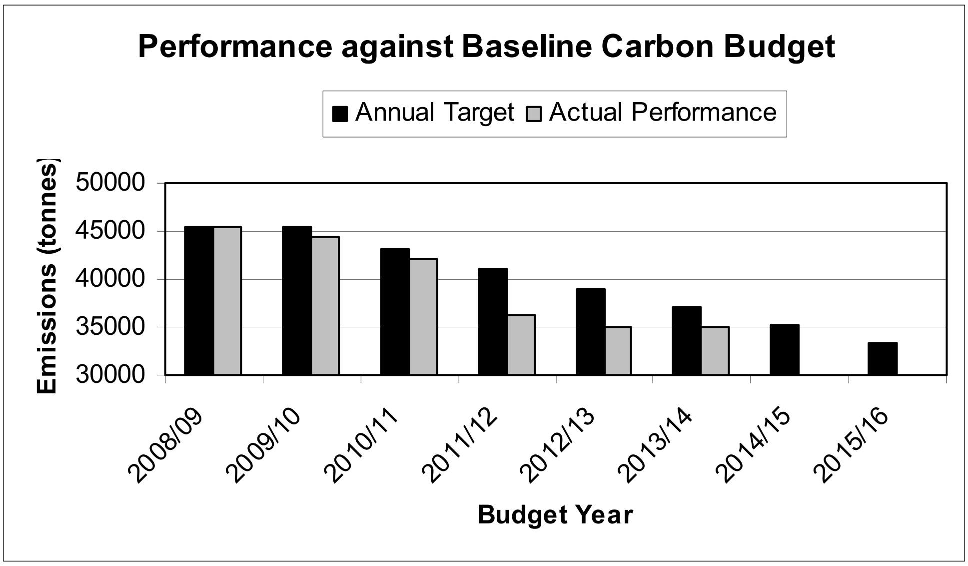
Appendix A – Carbon Budget Performance Table for Local Authority Buildings

SUBJECT HISTORY

Council Meeting	**Date**
Council (Notice of Motion)	14 December 2009
Budget Cabinet	22 February 2010
Budget Council	1 March 2010
Cabinet	25 November 2010
Cabinet	21 February 2011
Budget Council	1 March 2011
Cabinet	14 April 2011
Budget Cabinet	21 February 2012
Budget Cabinet	18 February 2013
Delegated Progress Report	2 October 2013

Appendix A - Carbon Budget Performance Table for Local Authority Buildings

The graph below shows corporate emissions of carbon dioxide (CO_2) against the average annual 5% reduction that is required to meet a 60% CO_2 emissions reduction target by 2025.



To date, we have reduced emissions of CO_2 by 10,412 tonnes from a 2008/09 baseline of 45,481 tonnes, a reduction of 22.89% over 3.5 operational years.

October 2012 to September 2013 performance has already exceeded the 2013/14 emissions target by 5.33%

Although the Corporate target has been met, year to date emissions are slightly higher than those reported for the 2012/13 financial year.

Factors that have affected performance both positively and negatively are:

- Weather conditions: The extended periods of cold weather over the 2012/13 winter period.
- Continued rationalisation of the Council estate.
- Conversion of schools to Academies over which the Council has no direct control. This excludes them from the Carbon Budget process.
- Continuing energy efficiency initiatives and impact of past measures.

Financial Year	Annual Target (tonnes)	Actual Performance (tonnes)
2008/09 (Baseline)	45,481	45,481
2009/10	45,481	44,286
2010/11	43,207	42,131
2011/12	41,047	36,166
2012/13	38,994	35,052
2013/14	37,044	35,069 YTD figure
2014/15	35,192	-
2015/16	33,432	-

Note: Targets for 2013/14 onwards were agreed at Budget Cabinet 18 February 2013 (Minute 209 refers)

DEPARTMENTAL PERFORMANCE OCTOBER 2012 TO SEPTEMBER 2013

Baseline Carbon Footprint (2008/09): 45,481 tonnes

Responsible Department	*2013/14 CO_2 Emissions Target (tonnes)	**Actual Emissions Oct 12 to Sept 2013 (tonnes)	Required Saving by 31 March 2014 (tonnes)	*2014/15 CO_2 Emissions Target (tonnes)	Reduction required to meet 2014/15 CO_2 Emissions Target (tonnes)
ADULT SOCIAL SERVICES	1,071	1,154	83	935	136
SCHOOLS	9,931	11,558	1,627	7,807	2,124
CYPD	1,196	911	0	1,136	6
CORPORATE SERVICES	0	0	0	0	0
LHR & AM	3,588	4,034	446	2,962	626
FINANCE	662	749	87	542	120
TECHNICAL SERVICES	13,764	16,663	2,899	10,177	3,587
TOTAL	30,212	35,069	4,857	23,559	6,653

* When the first Carbon Budget was agreed, targets were set for the three years 2010/11, 2011/12 and 2012/13. Targets for 2013/14 onwards were approved by Budget Cabinet 18 February 2013 and have been calculated to meet long term corporate goals. Annual targets are revised at each six monthly update when available data is reviewed to compensate for: underperformance; changes in the Council's estate and meet corporate carbon emissions reduction goals. The targets above take these updates into account.

**The last full twelve month period for which data is available.