



Budget Council

Town Hall
Wallasey

24 February 2016

Dear Councillor

You are hereby summoned to attend a meeting of the Council to be held at **6.00 pm on Thursday, 3 March 2016** in the Council Chamber, within the Town Hall, Wallasey, to take into consideration and determine upon the following subjects : -

Contact Officer: Lyndzay Roberts
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Website: <http://www.wirral.gov.uk>

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST / RESTRICTIONS ON VOTING

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.

3. CIVIC MAYOR'S ANNOUNCEMENTS

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

4. APPROVAL OF MINUTES (Pages 1 - 26)

To approve the accuracy of the minutes of the meeting of the Council held on 14 December 2015.

5. PETITIONS (PURSUANT TO STANDING ORDER 5(2)(D) COUNCIL

PROCEDURE RULES) (Pages 27 - 30)

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

- A.** To receive petitions submitted in accordance with Standing Order 21.

- B.** The following petitions are referred to the Council for consideration in accordance with Standing Order 34 (1) –
 - (i).** A petition of 3,195 signatures, submitted by Wirral Change opposing the proposal to decommission the BME Health Improvement Service as a result of proposed budget savings.

The front sheet of the petition is attached and, in accordance with the Petition Scheme, the petition organiser has been invited to address the Council for up to five minutes. The Council should debate the matter for a maximum of 15 minutes before deciding how to respond to the petition.

- (ii).** A petition of 3,054 signatures, submitted by Wirral UNISON opposing the closure of Girtrell Court Respite Residential Home for People with Learning and/or Physical Disabilities, as part of budget savings proposals.

The front sheet of the petition is attached and, in accordance with the Petition Scheme, the petition organiser has been invited to address the Council for up to five minutes. The Council should debate the matter for a maximum of 15 minutes before deciding how to respond to the petition.

6. COUNCIL BUDGET (Pages 31 - 208)

The Budget Debate will only consider:

- (i) the Cabinet's Budget Recommendations/Minutes, which shall include any additional paragraphs/ recommendations (e.g. those relating to precepts), together with any other recommendation(s)/minute(s) from the Cabinet meeting to be held on 22 February 2016 (and/or any other relevant Cabinet meeting) that require approval by the Council; and*

- (ii) any Alternative Budget Proposal(s) or Amendment(s) to the Cabinet's Budget Recommendations/Minutes referred to at (i) above duly lodged with the Head of Legal & Member Services on or before **12noon on Monday, 29 February***

2016.

- (iii) *Budget Debate shall be conducted in accordance with the Budget Debate Process (pages 31–35).*

The minutes of the Cabinet (Budget Meeting) held on 22 February, 2016 are **(to follow in the Council Supplement)** and the following reports / documents are attached:

The Cabinet Budget Resolution 2016/17 which was presented at the Cabinet meeting held on Monday 22nd February 2016 (Attached) (Pages 37 - 49)

- A Revenue Budget and Council Tax Levels 2016/17
(Pages 51 –98)
- B Capital Programme and Financing
(Pages 99 –118)
- C Medium Term Financial Strategy
(Pages 119 –192)
- D Schools Budget
(Pages 193 – 207)
- E Carbon Budget
(See Cabinet Resolution of 22 Feb, 2016)

7. APPOINTMENTS

Council shall consider any recommendations referred for appointment, approval and/or designation (as appropriate).

8. 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.

9. ANY OTHER BUSINESS

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



Head of Legal and Member Services

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COUNCIL

Monday, 14 December 2015

Present: The Civic Mayor (Councillor Les Rowlands) in the Chair
Deputy Civic Mayor (Councillor Pat Hackett)

Councillors	RL Abbey	S Foulkes	C Povall
	T Anderson	L Fraser	D Realey
	B Berry	P Gilchrist	L Reecejones
	C Blakeley	JE Green	L Rennie
	E Boulton	R Gregson	D Roberts
	A Brighthouse	P Hayes	J Salter
	P Brightmore	A Hodson	T Smith
	D Burgess-Joyce	K Hodson	W Smith
	C Carubia	T Johnson	C Spriggs
	P Cleary	AER Jones	J Stapleton
	W Clements	C Jones	M Sullivan
	M Daniel	B Kenny	J Walsh
	A Davies	A Leech	G Watt
	G Davies	AR McLachlan	S Whittingham
	P Davies	M McLaughlin	J Williamson
	WJ Davies	C Meaden	I Williams
	P Doughty	B Mooney	KJ Williams
	D Elderton	C Muspratt	P Williams
	G Ellis	S Niblock	S Williams
	S Foulkes	T Norbury	
		M Patrick	

Apologies Councillors J Crabtree T Pilgrim
J Hale A Sykes
D Mitchell

72 DECLARATIONS OF INTEREST

Members of the Council were asked to consider whether they had 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.

All Labour Councillors declared a non-pecuniary interest in agenda item 11(iv) – Notices of Motion – ‘Trade Union Bill’ by virtue of their political affiliation to Trade Union Membership via their membership of the Labour Party (see minute 93 post).

Councillor Jeff Green declared a non-pecuniary interest in agenda item 11(iv) – Notices of Motion – ‘Trade Union Bill’ by virtue of his membership of a Trade Union (see minute 93 post).

Councillors Jean Stapleton, Denise Roberts, Steve Niblock and Leslie Rennie declared a non-pecuniary interest in agenda item 10(A) – Matters Referred from Policy and Performance Committees – ‘Proposal for a Fire Station on Green Belt Land in Saughall Massie’ by virtue of their membership of the Merseyside Fire and Rescue Authority (see minute 89 post).

73 **CIVIC MAYOR'S ANNOUNCEMENTS**

The Civic Mayor noted that apologies were received from Councillors Jim Crabtree, John Hale, Dave Mitchell, Tracey Pilgrim and Adam Sykes.

Prior to the Civic Mayor's announcements, Council was entertained by music and songs performed by young people from the Wirral Youth Theatre. Following the performance Jackie Wise, the Civic Mayor's Chaplain led the Council in prayer.

The Civic Mayor welcomed Members to the final meeting of Council taking place before the Christmas and New Year break. He informed that:

- enquiries had commenced to consider the re-establishment of the post of Honorary Forrester, with a view to renewing heritage links associated with past Wirral. He informed that the holder of the honorary title (a staff member) would be chosen annually from nominations supplied by colleagues who worked in such areas of the Council that included Wardens, Parks & Gardens, and School Groundskeepers. He asked that officers look into this position and progress its implementation; and
- as a result of the success and support from staff regarding the recent Charity Tea Dance held in the Civic Hall he had requested the establishment of a Civic Mayor's Charity Giving Page, where staff and public donations to the charity could be made electronically, and where the Civic Mayor could express his thanks to contributors and supporters.

74 **PETITIONS**

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

Councillor Christine Muspratt on behalf of 1031 signatories requesting Fairer Access to Spital Railway Station for members of the community with disabilities and mothers with young children who have to negotiate access with prams.

Councillor Adrian Jones on behalf of 490 signatories demanding that the government reverse its unfair cuts that have resulted in Wirral Council worker's jobs being lost and a subsequent impact on street litter, weeds and fly tipping.

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

75 PUBLIC QUESTIONS

Ms Kim Nowell, having given the appropriate notice in accordance with Standing Order 11, submitted a question on the subject of the proposal to site a Fire Station on Green Belt land in Saughall Massie.

Councillor Adrian Jones informed that he personally had not received prior notice of the question, and stated he would look into the matter and respond back to Ms Nowell.

Mr John Brace, having given the appropriate notice in accordance with Standing Order 11, submitted a question on the subject of Members expenses.

Councillor Adrian Jones responded accordingly.

In accordance with Standing Order 10, Mr Brace asked a supplementary question and Councillor Jones replied.

76 MINUTES

The minutes of two Council meetings held on 12 October and 19 November, 2015 had been circulated to Members.

Councillor Stuart Whittingham informed that he had expressed a personal interest under minute item 41 declarations of interest, by virtue of him being a Board member of Magenta Living, and this had not been recorded in the minutes of the meeting held 12 October, 2015.

Subject to this correction, it was

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

77 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 Jeff Green and made a number of comments including –

- Information that all budget options were to be scrutinised by the relevant Policy and Performance Committees during January 2016 prior to the matter being reported to Cabinet in February 2016.
- Adult Social Care (ASC) the 2% precept to be levied as a result of the Chancellor's autumn statement must be spent on ASC. There was a fundamental unfairness that the 'grey tax' would generate £800 million nationally, when £2 billion was needed. The figure required in Wirral was £8.4 million. Wirral's elderly population and low tax base placed an unfair burden on local tax payers for an important service that should be funded by central government, not creating a 'pay as you go' type service.
- With regards to making savings through staff cuts in specific areas, the duties of the officer concerned included work on the 2020 Vision / Wirral Plan in addition to continued work involving the Joint Authority.

Questions were then invited for Councillor Ann McLachlan on her Transformation and Improvement Portfolio Report and her response to questions from Councillor Janette Williamson included the following comments:

- The Transformation Programme included 80 initiatives e.g. 'Wirral Evolutions' a pioneering service for adults with learning disabilities.
- Information on the development of an ongoing strategy and a 5 year budget plan.

Questions were then invited for Councillor George Davies on the Housing and Engagement Portfolio Report. No questions were posed.

Questions were then invited for Councillor Pat Hackett on the Business and Tourism Portfolio Report and his responses to questions from Councillors Chris Blakeley and Alan Brighthouse included the following comments:

- Work was continuing on the development of an International Trade Centre (the Leader also informed that although no specific timescale has been confirmed and the matter was commercially sensitive, members would be notified as soon as negotiations were complete).
- Additional work was going on behind the scenes with regard to proposals to transform Birkenhead.

Questions were invited for Councillor Adrian Jones on the Finance, Assets and Technology Portfolio Report and his responses to questions from Councillors Chris Blakeley and Chris Carubia included the following comments:

- ICT access issues: cyber security remained a key priority for Wirral, and although other Local Authorities might appear to have less restrictive access for those working remotely, some had suffered high cost penalties as a result i.e. hacking or system failures. More information about the recent system outage was awaited.
- Access to the Council Website: Following initial measurements were encouraging with a 9.6% fall in bounce rate in November (this measures the number of visits where people come straight in and out of the site without looking at another page). People were now looking at more content in less time, and in November people looked at 8% more pages in 13% less time, compared to the six months between April and September (the new website went live on 6 October, 2015).

Questions were then invited for Councillor Chris Jones on the Adult Care and Public Health Portfolio Report. No questions were posed.

Moving onto the Leisure and Culture Portfolio report, questions were then invited for Councillor Chris Meaden. Her responses to questions from Councillor Alan Brighouse included the following comments:

- A written response would be provided to Cllr Brighouse's question asking 'if a bid was to be submitted for heritage status for Birkenhead Park, and if the Cabinet Member would actively support it'.

Questions were then invited for Councillor Bernie Mooney on her Environment Protection Portfolio Report and her responses to questions from Councillor Pat Cleary included the following comments:

- Much research had already been undertaken on the matter of recycling, and a report on Wirral Council's Waste Management Strategy containing 3 primary recommendations was due for consideration by Cabinet at its meeting on 17 December, 2015.

Questions were then invited for Councillor Tony Smith on his Children and Families Portfolio Report and his responses to questions from Councillors Wendy Clements and Louise Reece-Jones included the following comments:

- An Ofsted inspection was expected shortly, and the Council's schools continue to prepare themselves. Changes to the inspection framework had introduced challenges, and having spoken with other local authorities given the continued re-organisations over the past three years as a result

of the framework change 'outstanding' and 'good' evaluations were extremely difficult, if not impossible, to achieve. That said: the Council was hopeful that its efforts to engage and adapt would achieve a good outcome.

- School transport for those with special needs: the Council had to look at those services for the most vulnerable on an individual basis. The protection of mandatory services would take priority, but the savings targets of £20 million would present a most difficult future.

Questions were then invited for Councillor Stuart Whittingham on his Highways and Transport Portfolio Report and his responses to questions from Councillors Brian Kenny, Geoffrey Watt and Alan Brighouse included the following comments:

- L.E.D. street lighting: where units had been introduced feedback had been good, with positive comments regarding the quality of light.
- Street lighting - general: night-time audits continued to form part of the process, prioritising junctions and areas with pedestrian crossings. A figure on the number of outstanding repairs would be provided and reported back to Members.
- With regards to car parking and under-utilised facilities, the Council had reduced its fees last year in an effort to encourage off-street parking.

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

Resolved – That

- 1) each of the Cabinet Portfolio Summary reports be noted; and**
- 2) the report of the Policy and Performance Committee Chairs be noted.**

78 MATTERS REQUIRING APPROVAL BY THE COUNCIL

In accordance with Standing Order 5(2), seven matters were submitted for approval by the Council (see minutes 79 to 85 post).

79 CAPITAL MONITORING 2015/16 QUARTER 2

The first matter requiring approval was in relation to the Capital Monitoring 2015/16 Quarter 2 and the recommendation made by the Cabinet at its meeting on 5 November, 2015 (minute 65 refers) to approve the revised Capital Programme of £50.2 million.

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

Resolved (60:0) (One abstention) – That the recommendations contained within minute 65 of the Cabinet – Capital Monitoring 2015/16 Quarter 2, be approved.

80 **BUDGET COUNCIL ARRANGEMENTS**

The second matter requiring approval was in respect of proposed arrangements for Budget Council and the recommendation made by the Cabinet at its meeting on 5 November, 2015 (minute 67 refers) as detailed in the report and to support the recommendations as listed therein.

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

Resolved (60:0) (One abstention) – That the recommendations contained within minute 67 of the Cabinet – Budget Council Arrangements, be approved.

81 **NEIGHBOURHOOD PLANNING - DEVONSHIRE PARK**

The third matter requiring approval was in relation to the Devonshire Park Neighbourhood Development Plan and the recommendation made by the Cabinet at its meeting on 5 November, 2015 (minute 69 refers) to approve the Neighbourhood Development Plan and that it be formally ‘made’ under Section 38A(4) of the Planning and Compulsory Purchase Act 2004.

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

Resolved (60:0) (One abstention) – That the recommendations contained within minute 69 of the Cabinet – Neighbourhood Planning Devonshire Park, be approved.

82 **DRAFT STATEMENT OF POLICY UNDER THE GAMBLING ACT 2005**

The fourth matter requiring approval was in relation to the Draft Statement of Policy (revised) and the recommendation made by the Licensing Act 2003 Committee at its meeting on 28 October, 2015 (minute 11 refers) to approve the Statement of Policy (as amended).

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

Resolved (60:0) (One abstention) – That the recommendations contained within minute 11 of the Licensing Act 2003 Committee – Statement of Policy under the Gambling Act 2005, be approved.

83 **AMENDMENT TO SCHEME OF DELEGATION - OBJECTIONS TO HIGHWAYS PROPOSALS**

The fifth matter requiring approval was in relation to changes to the Scheme of Delegation to the Council's Constitution as detailed in the report and the recommendations made by the Standards and Constitutional Oversight Committee at its meeting on 23 November, 2015 (minute 10 refers), and the recommendations made by the Policy and Performance Regeneration and Environment Committee at its meeting on 2 December, 2015 (minute 27 refers), to approve the changes to the Scheme of Delegation in the Council's Constitution.

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

Resolved (60:0) (One abstention) – That the recommendations contained within minute 10 of the Standards and Constitutional Oversight Committee, and minute 27 of the Policy and Performance Regeneration and Environment Committee – Constitutional Changes, be approved.

84 **SUMMARY OF THE WORK AND PROPOSALS OF THE STANDARDS AND CONSTITUTIONAL OVERSIGHT WORKING GROUP**

The sixth matter requiring approval was in relation to a series of proposed changes to the Council's Constitution as detailed in the report and the recommendations made by the Standards and Constitutional Oversight Committee at its meeting on 23 November, 2015 (minute 11 refers) to approve the changes to the Council's Constitution.

A motion to agree the changes to the Council Constitution was put to Council by Councillor Bill Davies, seconded by Councillor Phil Davies.

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

First amendment

Proposed by Councillor Chris Blakeley
Seconded by Councillor Gerry Ellis (in John Hale's absence)

Reference: **Amendment 4** in appendix 1 of Minute 11:

"Council believes that in the interests of openness, transparency and consistency that all Notices of Motion should be voted on in the Council Chamber, with no referrals to scrutiny committees."

Second amendment

Proposed by Councillor Chris Blakeley
Seconded by Councillor Gerry Ellis (in John Hale's absence)

Reference: **Amendment 10** in appendix 1 of Minute 11:

Delete all proposed changes to the Call In procedure and replace with:

"Council believes that the current Call In rules (standing order 35) as set out in annexe A should remain in force."

Third amendment

Proposed by Councillor Phil Gilchrist
Seconded by Councillor Alan Brighthouse

Reference: **Amendment 10** in appendix 1 of Minute 11:

Add to item 2) under "Resolved: That" (ends ".....set out at Appendix 1 to this report be agreed)

, with the exception of proposed revision 2 (page 216). Council believes that the ability to place a Minority Report before Council should be retained to give a final democratic safeguard. Council believes that this rarely invoked facility has not been abused and should be kept to allow an open and transparent discussion on an issue of public concern."

Council agreed that Standing Order 12(10) be suspended for this item, so that all three amendments could be considered together.

It was moved by Councillor Phil Davies and duly seconded in a number of places that no speeches be received, and that Council progress straight to voting on the amendments.

The first amendment was put and lost (20:37) (One abstention).

The second amendment was put and lost (17:37) (One abstention).

The third amendment was put and lost (20:37) (One abstention).

The original motion to approve the changes to the Council's Constitution was then put to the vote and carried (37:22) (One abstention).

Resolved (37:22) (One abstention) – That the recommendations contained within minute 11 of the Standards and Constitutional Oversight Committee, and minute 27 of the Policy and Performance Regeneration and Environment Committee – Constitutional Changes, be approved.

85 **SOCIAL MEDIA POLICY**

The seventh matter requiring approval was in relation to the Social Media Policy as detailed in the report and the recommendations made by the Policy and Performance Transformation and Resources Committee at its meeting on 3 December, 2015 (minute 25 refers). Council was recommended to approve the Social Media Policy.

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

Resolved (59:0) (One abstention) – That the recommendations contained within minute 25 of the Policy and Performance Transformation and Resources Committee - Social Media Policy, be approved.

86 **MATTERS FOR NOTING**

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

Resolved (59:0) (One abstention) – That minute 64 (Cabinet – 5 November, 2015) – Revenue Monitoring 2015/16 Quarter 2 (to September 2015), be noted.

87 **MEMBERS' QUESTIONS**

Councillor Phil Gilchrist, having given the appropriate notice in accordance with Standing Order 10(2) (b), submitted a question addressed to Councillor Stuart Whittingham, in respect of spraying of footways and roadside kerblines to combat weeds and the impact of recent weather conditions and organisational factors.

Councillor Stuart Whittingham responded accordingly.

88 **MATTERS REFERRED FROM POLICY AND PERFORMANCE COMMITTEES**

Three matters had been referred to the Council by three Policy and Performance Committees, in accordance with Standing Order 7(5) (see minutes 89 to 91 post).

89 **PROPOSAL FOR A FIRE STATION ON GREEN BELT LAND IN SAUGHALL MASSIE - COMMITTEE REFERRAL**

At the meeting of Council held on 6 July, 2015 (minute 31 (iii) refers) the Civic Mayor had referred a Notice of Motion 'Proposal for a Fire Station on Green Belt land in Saughall Massie' to the Policy and Performance Regeneration and Environment Committee. The motion was duly considered at the meeting of the Committee on 15 September, 2015 (minute 11 refers) and on 2 December, 2015 (minute 24 refers).

In accordance with Standing Order 7 (5) the Council was invited to consider the recommendation of the Regeneration and Environment Policy and Performance Committee which had agreed a motion (For 8: Against 5).

Proposed by Councillor Mike Sullivan
Seconded by Councillor Mathew Patrick

That

"The Council acknowledges that the devastating cuts to Merseyside Fire and Rescue Authority put the Authority in an incredibly difficult situation.

Whilst the Council expresses strong disapproval of the Conservative Government's decision to cut 38% from the Fire Authority's grant, it acknowledges that there is a lack of time to force the Fire Service to find alternatives.

Council impresses upon the Cabinet to:

Support Merseyside Fire and Rescue Authority in its obligations to balance the budget and ensure that a decision is not unnecessarily delayed.

The Council also recognises that the Planning Committee will be responsible for the planning aspect. It further recognises that the Secretary of State for Communities and Local Government will also have to agree with the development's appropriateness."

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 Chris Blakeley

Seconded by Councillor Bruce Berry

Council acknowledges the challenges faced by Merseyside Fire and Rescue Authority, like all taxpayer-funded organisations.

Council notes that Merseyside Fire and Rescue Service has provided operational cover to West Wirral residents in the last 18 months from the Upton Fire Station within the 10 minute response guidelines and congratulates all those involved in maintaining this level of service.

Council notes that Wirral's Planning Committee will be responsible for deciding on any planning application and notes that the Authority, in its published, written response to Merseyside Fire and Rescue Authority, stated: **"in the light of your fall-back scenario of being able to redevelop the fire station at Upton within the urban area and with no impact on the Green Belt, very special circumstances will not exist. In which case, planning permission is not likely to be granted."**

Cabinet is therefore asked to support Merseyside Fire and Rescue Authority in identifying a suitable site that is not within Wirral's precious greenbelt, while maintaining the safety and security of Wirral residents and calls for further discussions on how best the additional £2.8 million granted by the Government can be used for this purpose.

Councillor Mike Sullivan formally moved the motion. Councillor Chris Blakeley spoke to his amendment and the amendment was put and lost (21:34) (One abstention).

At the request of the Councillor Jeff Green, the Conservative Group member's votes were recorded.

Resolved (34:21) (Councillors T Anderson, B Berry, C Blakeley, E Boulton, D Burgess-Joyce, W Clements, D Elderton, G Ellis, L Fraser, J Green, P Hayes, A Hodson, K Hodson, C Povall, G Watt and S Williams voting against) (One abstention, Councillor Rennie) - That

The Council acknowledges that the devastating cuts to Merseyside Fire and Rescue Authority put the Authority in an incredibly difficult situation.

Whilst the Council expresses strong disapproval of the Conservative Government's decision to cut 38% from the Fire Authority's grant, it acknowledges that there is a lack of time to force the Fire Service to find alternatives.

Council impresses upon the Cabinet to:

Support Merseyside Fire and Rescue Authority in its obligations to balance the budget and ensure that a decision is not unnecessarily delayed.

The Council also recognises that the Planning Committee will be responsible for the planning aspect. It further recognises that the Secretary of State for Communities and Local Government will also have to agree with the development's appropriateness."

Councillors Jean Stapleton, Denise Roberts, Steve Niblock and Leslie Rennie having earlier declared a non-pecuniary interest in the agenda item by virtue of their membership of the Merseyside Fire and Rescue Authority did not take part in any debate, or vote upon the matter.

90 **SUPPORTING WIRRAL'S PART IN OUR NUCLEAR INDUSTRIES - COMMITTEE REFERRAL**

At the meeting of the Council held on 12 October, 2015 (minute 59 (v) refers) the Civic Mayor had referred a Notice of Motion 'Supporting Wirral's Part in our Nuclear Industries' to the Regeneration and Environment Policy and Performance Committee. The motion was duly considered at the meeting of the Committee on 2 December, 2015 (minute 25 refers).

In accordance with Standing Order 7 (5) the Council was invited to consider the recommendation of the Regeneration and Environment Policy and Performance Committee which had resolved –

That the COUNCIL BE ADVISED that this Committee supports the Motion in respect of Wirral's part in providing students with the skills required to play a part in the future of our Nuclear Industries i.e.

"Council notes many Wirral residents work in our major nuclear power and defence industries, both directly (in companies such as Urenco, Cammell Laird and CNS) and indirectly, in the supply chain.

Council believes these highly-skilled, well paid advanced engineering jobs offer opportunities for residents and welcomes the skills and apprenticeship training at Wirral Metropolitan College for young people entering the industry.

Council agrees with the Leader of the Council that Wirral has a strong track record in manufacturing for the nuclear industry and calls on the Administration to play an even greater part in providing students with the skills required to play a full part in future manufacturing and production.”

Resolved (58:1) (One abstention) – That the resolution of the Policy and Performance Regeneration and Environment Committee be agreed.

91 **OPEN GOVERNMENT? - COMMITTEE REFERRAL**

At the meeting of the Council held on 12 October, 2015 (minute 59 (i) refers) the Mayor had referred a Notice of Motion ‘Open Government?’ to the Policy and Performance Transformation and Resources Committee. The motion was duly considered at the meeting of the Committee on 3 December, 2015 (minute 24 refers).

In accordance with Standing Order 7 (5) the Council was invited to consider the recommendation of the Policy and Performance Transformation and Resources Committee which had resolved (14:0) that –

“Committee acknowledges that the number of complaints upheld by the ICO total 1.19% of all FoI requests and that the Council is committed to working towards improving how it responds to Fols and recommends a further ‘task and finish’ review is undertaken.”

Resolved (59:0) (One abstention) – That the resolution of the Policy and Performance Transformation and Resources Committee be agreed.

92 **NOTICES OF MOTION**

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

- (i) Hamilton Square – Effective Scrutiny of Controversial Scheme - The matter be referred to Policy and Performance Regeneration and Environment Committee.
- (ii) Investing in our Constituencies - The matter be referred to the Cabinet.
- (iii) A Strong, Stable Economy and Benefits for Wirral Residents - To be debated.

- (iv) Trade Union Bill - To be debated.
- (v) Wirral Youth Zone - To be debated.
- (vi) CSR and Autumn Statement - To be debated.

Prior to the first debate it was moved by Councillor Bill Davies and seconded by Councillor Phil Davies, that –

“Standing Order 5(4) be suspended and that the Trade Union Bill Motion (iv) be dealt with first followed by the Motions – A Strong Stable Economy and Benefits to Wirral Residents, followed by Wirral Youth Zone, followed by CSR and Autumn Statement.”

On a motion by Councillor Bill Davies, duly seconded it was agreed that, “Standing Order 9 (Conclusion of Council meeting) come into force during the next item, only movers and seconders be heard, and that Standing Order 9 be applied at 8.30pm.”

Councillor Phil Gilchrist informed that his group would not be supporting these proposals, and a vote was taken.

The motions were jointly put and carried (54:5) (One abstention).

Resolved – That

- 1) the Notice of Motion, ‘Hamilton Square – Effective Scrutiny of Controversial Scheme’, be referred to the Policy and Performance Regeneration and Environment Committee;**
- 2) the Notice of Motion, ‘Investing in our Constituencies’, be referred to Cabinet; and**
- 3) Standing Order 9 be applied and matters shall be dealt with by being moved and seconded without discussion and put to the vote.**

93 MOTION - TRADE UNION BILL

Proposed by Councillor Janette Williamson
Seconded by Councillor Treena Johnson

“That this Council recognises the positive contribution that trade unions and trade union members make in our workplaces. This Council values the constructive relationship that we have with our trade unions and we recognise

their commitment, and the commitment of all our staff, to the delivery of good quality public services.

This Council notes with concern the Trade Union Bill which is currently being proposed by the Government and which would affect this Council's relationship with our trade unions and our workforce as a whole. This Council rejects this Bill's attack on local democracy and the attack on our right to manage our own affairs.

This Council is clear that facility time, negotiated and agreed by us and our trade unions to suit our own specific needs, has a valuable role to play in the creation of good quality and responsive local services. Facility time should not be determined or controlled by Government in London.

This Council is happy with the arrangements we currently have in place for deducting trade union membership subscriptions through our payroll. We see this as an important part of our positive industrial relations and a cheap and easy to administer system that supports our staff. This system is an administrative matter for the Council and should not be interfered with by the UK Government.

This Council resolves to support the campaign against the unnecessary, anti-democratic and bureaucratic Trade Union Bill.

This Council further resolves to seek to continue its own locally agreed industrial relations strategy and will take every measure possible to maintain its autonomy with regard to facility time and the continuing use of check-off."

Having applied the guillotine in accordance with Standing Order 9 the Council did not debate the matter, and having been moved and seconded, the motion was put to the vote.

One abstention – Councillor Les Rowlands.

Resolved (42:17) (One abstention) – That the motion be approved.

94 **MOTION - A STRONG STABLE ECONOMY AND BENEFITS FOR WIRRAL RESIDENTS**

Proposed by Councillor Jeff Green
Seconded by Councillor Leslie Rennie

"Council notes that there are two million more jobs in the country since 2010 - the highest rate of employment on record.

Council further notes that over 31 million people up and down the country are in work, receiving a regular pay packet for themselves and their families.

Council congratulates the Conservative Government and the predecessor Coalition Government on the successful delivery of their long term economic plan to date.

Council realises that a strong and stable economy is vital to pay for the services that all our residents deserve and expect.

Council welcomes the tangible benefits that are being realised in Wirral from a strong and stable economy; Cammell Laird's has recently announced that it has secured the contract to build a £200 million polar research ship for the Government-funded Natural Environment Research Council (NERC).

Council is delighted that this project will secure around 500 local jobs and further contribute to the brighter economic outlook Government policies have secured.

Council notes that the Conservative Government has not only developed sound economic policies to guarantee economic recovery but has also committed significant investment across the City Region including:

- £250 million for the New Alder Hey Hospital
- £470 million for The Mersey Gateway Crossing
- £429 million for the new Royal Liverpool Hospital
- £232 million for the City Region's Growth Deal
- £400 million for the Northern Powerhouse Investment Fund
- £50 million to support Transport for the North
- £150 million to support the delivery of smart and integrated ticketing across local transport and rail services in the North

Council therefore welcomes the commitment within its 2020 Plan to increase employment opportunities for Wirral residents and the refreshing of its Regeneration Strategy to support the achievement of this objective.

Council calls upon all Members to do all that we can to ensure the opportunities provided by the Government's long-term economic plan and Northern Powerhouse are taken and not squandered to benefit Wirral families."

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

“Insert at end of para 3 (ends “.....plan to date)

, noting that the plan was substantially revised and adjusted to cope with the uncertain state of the UK economy, the need to rebalance it and a recognition that there had to be a regional strategy.

Insert at end of para 4 (ends “.....and expect)

but remains wary of unrealistic assumptions that could rebound on and damage the Wirral economy and the nation's finances.

Delete in para 6 "and further contribute to the brighter economic outlook Government policies have secured."

Delete in para 7 "Council notes that the Conservative Government has not only developed sound economic policies to guarantee economic recovery but has also committed significant investment across the City Region including:"

And replace with new para 7:

“Council notes that a number of significant capital projects are now in hand, some with long lead-in times over many years and begun under the Coalition Government. The recently announced projects are in their early stages and have arisen from consistent pressure to close the north south divide. These include:”

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

The Liberal Democrat amendment was put and lost (4:53) (One abstention).

The Conservative motion was put and lost (17:40) (One abstention).

95 **MOTION - WIRRAL YOUTH ZONE**

Proposed by Councillor Phil Davies

Seconded by Councillor Jean Stapleton

“This Council welcomes the recent ground breaking ceremony to mark the start of the construction of the Wirral Youth Zone next to Birkenhead Fire Station. This £6m facility, designed by young people from Wirral, will provide world class sport and recreation facilities for young people throughout Wirral and is an excellent example of a successful public-private partnership.

Council recognises that the evidence shows that where Youth Zones have been built, anti-social behaviour has reduced massively, levels of ill-health

have fallen and young people engaging in Youth Zones have developed good social skills, and improved their self-esteem and confidence.

Council looks forward to the opening of Wirral Youth Zone at the end of 2016 and agrees to write to John Syvret, CEO of Cammell Laird and Chair of the Wirral Youth Zone Board, and offer our congratulations to everyone involved in this excellent facility.”

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

First amendment

Proposed by Councillor Phil Gilchrist

Seconded by Councillor Chris Carubia

“Insert after para (ends “.....self-esteem and confidence”)

Council also recognises that the complex and emerging funding package for the Youth Zone requires a substantial contribution from the Council and remains anxious that the new Zone should not detract from the pattern of hubs established some years ago.

Council suggests that officers should examine, and report upon, how the development of the main facility in Oldham, The Mahdlo, led to the operation of youth services being taken on by that organisation yet was still expected to retain a co-ordinated offer to young people in the various communities.”

Second amendment

Proposed by Councillor Andrew Hodson

Seconded by Councillor Cherry Povall

“Insert new paragraph:

Council acknowledges the good existing youth service provision across the Borough and notes the value residents place on this service; 64.7% of respondents to the last public consultation rejected the changes proposed to Youth and Play. Therefore Council, while welcoming the new Youth Zone in Birkenhead, is absolutely clear that this development will enhance the Borough’s existing youth service and will not replace it.”

The proposer of the original motion, Councillor Phil Davies, agreed acceptance of both amendments and moved the vote, which was duly seconded by Councillor J Stapleton.

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

Prior to the vote, Councillor Phil Davies and five Labour Members rose to request a 'card vote'.

A 'card vote was then taken on Councillor Phil Davies' motion and the Council divided as follows:

For the motion (59) Councillors R Abbey, T Anderson, B Berry, C Blakeley, E Boulton, A Brighthouse, P Brightmore, D Burgess-Joyce, C Carubia, P Cleary, W Clements, M Daniel, A Davies, G Davies, P Davies, W Davies, P Doughty, D Elderton, G Ellis, S Foulkes, L Fraser, P Gilchrist, J Green, R Gregson, P Hackett, P Hayes, A Hodson, K Hodson, T Johnson, A Jones, C Jones, B Kenny, A Leech, A McLachlan, M McLaughlin, C Meaden, B Mooney, S Niblock, T Norbury, M Patrick, C Povall, D Realey, L Reecejones, L Rennie, D Roberts, J Salter, PA Smith, W Smith, C Spriggs, J Stapleton, M Sullivan, J Walsh, G Watt, S Whittingham, I Williams, KJ Williams, PM Williams, S Williams and J Williamson.

One abstention – Councillor Les Rowlands.

Resolved (59:0) (One abstention) – That

This Council welcomes the recent ground breaking ceremony to mark the start of the construction of the Wirral Youth Zone next to Birkenhead Fire Station. This £6m facility, designed by young people from Wirral, will provide world class sport and recreation facilities for young people throughout Wirral and is an excellent example of a successful public-private partnership.

Council recognises that the evidence shows that where Youth Zones have been built, anti-social behaviour has reduced massively, levels of ill-health have fallen and young people engaging in Youth Zones have developed good social skills, and improved their self-esteem and confidence.

Council also recognises that the complex and emerging funding package for the Youth Zone requires a substantial contribution from the Council and remains anxious that the new Zone should not detract from the pattern of hubs established some years ago.

Council suggests that officers should examine, and report upon, how the development of the main facility in Oldham, The Mahdlo, led to the operation of youth services being taken on by that organisation yet was still expected to retain a co-ordinated offer to young people in the various communities.

Council acknowledges the good existing youth service provision across the Borough and notes the value residents place on this service; 64.7% of respondents to the last public consultation rejected the changes proposed to Youth and Play. Therefore Council, while welcoming the new Youth Zone in Birkenhead, is absolutely clear that this development will enhance the Borough's existing youth service and will not replace it.

Council looks forward to the opening of Wirral Youth Zone at the end of 2016 and agrees to write to John Syvret, CEO of Cammell Laird and Chair of the Wirral Youth Zone Board, and offer our congratulations to everyone involved in this excellent facility.

96 **MOTION - CSR AND AUTUMN STATEMENT**

Proposed by Councillor Phil Davies

Seconded by Councillor Ann Maclachlan

“Council notes:

- During the Comprehensive Spending Review and Autumn Statement the Chancellor performed embarrassing U turns on his plans to remove tax credits to hard working families and to cut the police budget for Merseyside.

Council recognises:

- The Government saw the error of its ways in light of strong campaigns, lobbying and protest from the Labour Party, local residents and even the House of Lords, but is dismayed to hear the Government's commitment to slash services in local authorities wasn't similarly tempered.
- While we await the final local government allocation, the indications are that a further £126million will be lost from Wirral's coffers this Parliament, on top of the £151million lost in the previous 5 years.
- The example set by Conservative Leader of Oxford County Council who set the Prime Minister straight when he told him "I cannot accept your description of a drop in funding of £72m... as a 'slight fall' and the Conservative Chair of Local Government Association who said the Spending Review was “a knockout blow to cherished local services”.

Council Resolves:

- To condemn these cuts which mean Wirral residents and businesses will have seen a quarter of a billion pounds pinched from their pockets by this Government between 2010 and 2020.
- To write to the 4 Wirral MPs to ask them to lobby government for a fairer deal for Wirral residents.”

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 Alan Brighouse

“Add the following after the two bullet points (under 'Council Resolves'):

- To work with Wirral’s MPs to challenge the assumptions and interpretations built upon the OBR’s ‘Economic and fiscal outlook’ and the forecast for ‘local authority self-financed expenditure’ as set out on Page 58 and 59 in the ‘Blue Book’ Spending Review and Autumn Statement.
- To take part in the consultation the DCLG offers on the settlement and to establish whether the settlement and formula have any relationship to the House of Commons Library Briefing Paper 7327 ‘Deprivation in English Constituencies’ published in October 2015.
- To highlight the practicalities of securing the growth in business rates given that part of that growth is already to be reinvested within the Enterprise Zone.
- To highlight the limited sums that can be raised based on the proportion of properties in lower bands compared to other areas and its implications for police funding.
- This time to take up the offer again made by the Liberal Democrat Group to assist and join in making representations and lobbying.”

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

The proposer of the original motion, Councillor Phil Davies, agreed acceptance of the amendment and moved the vote, which was duly seconded by Councillor A McLachlan.

One abstention – Councillor Les Rowlands.

Resolved (41:17) (One abstention) – That

Council notes:

- **During the Comprehensive Spending Review and Autumn Statement the Chancellor performed embarrassing U turns on his plans to remove tax credits to hard working families and to cut the police budget for Merseyside.**

Council recognises:

- **The Government saw the error of its ways in light of strong campaigns, lobbying and protest from the Labour Party, local residents and even the House of Lords, but is dismayed to hear the Government's commitment to slash services in local authorities wasn't similarly tempered.**
- **While we await the final local government allocation, the indications are that a further £126million will be lost from Wirral's coffers this Parliament, on top of the £151million lost in the previous 5 years.**
- **The example set by Conservative Leader of Oxford County Council who set the Prime Minister straight when he told him "I cannot accept your description of a drop in funding of £72m... as a 'slight fall' and the Conservative Chair of Local Government Association who said the Spending Review was "a knockout blow to cherished local services".**

Council Resolves:

- **To condemn these cuts which mean Wirral residents and businesses will have seen a quarter of a billion pounds pinched from their pockets by this Government between 2010 and 2020.**
- **To write to the 4 Wirral MPs to ask them to lobby government for a fairer deal for Wirral residents.**
- **To work with Wirral's MPs to challenge the assumptions and interpretations built upon the OBR's 'Economic and fiscal outlook' and the forecast for 'local authority self-financed expenditure' as set out on Page 58 and 59 in the 'Blue Book' Spending Review and Autumn Statement.**
- **To take part in the consultation the DCLG offers on the settlement and to establish whether the settlement and formula have any relationship to the House of Commons Library Briefing Paper**

7327 'Deprivation in English Constituencies' published in October 2015.

- **To highlight the practicalities of securing the growth in business rates given that part of that growth is already to be reinvested within the Enterprise Zone.**
- **To highlight the limited sums that can be raised based on the proportion of properties in lower bands compared to other areas and its implications for police funding.**
- **This time to take up the offer again made by the Liberal Democrat Group to assist and join in making representations and lobbying.**

97 **VACANCIES**

The Council was requested to deal with the following matter in respect of appointments to outside organisations.

It was moved by Councillor Phil Davies (Leader) and seconded by Councillor Ann McLachlan that:

Planning Committee - Councillor Treena Johnson to replace Councillor Matt Daniel (who will act as a deputy) and Councillor Mike Sullivan to replace Councillor Jim Crabtree (as a deputy).

Policy and Performance Families and Well Being Committee - Parent Governor Representative, Mr Mark Harrison to replace Mrs H. Shoebridge. Appointment until 28 October, 2019.

Policy and Performance Coordinating Committee - Parent Governor Representative, Mr Mark Harrison to replace Mrs H. Shoebridge. Appointment until 28 October, 2019.

Birkenhead Business Improvement District Board - Following formal establishment of the above, Councillor Jean Stapleton be appointed to the board, and Mr Alan Evans be appointed as an advisor.

Resolved – That

- 1) **Councillor Treena Johnson to replace Councillor Matt Daniel (who will act as a deputy); and Councillor Mike Sullivan to replace Councillor Jim Crabtree (as a deputy) on the Planning Committee;**

- 2) Mr Mark Harrison be appointed to the Policy and Performance Families and Well Being Committee as Parent Governor Representative until 28 October, 2019;**
- 3) Mr Mark Harrison be appointed to the Policy and Performance Coordinating Committee as Parent Governor Representative until 28 October, 2019; and**
- 4) Councillor Jean Stapleton be appointed to the Birkenhead Business Improvement District (BID) Board; and Mr Alan Evans be appointed as an advisor to the BID Board / Councillor Stapleton.**

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Petition to Wirral Council

Contact details of the Lead Petitioner
(the person the Council will contact with a response to the petition)

Name (please print)	Signature
MARTIN GABRIEL	

Contact details:

(mobile) _____ e-mail _____

Petition Title

SAVE OUR WIRRAL COMMUNITY HEALTH PROJECT: BME HEALTH IMPROVEMENT SERVICE

Please tick the box if this petition links to an petition on the Council's website

We the undersigned petition Wirral Council to:

- Re-commission the BME Health Improvement Service to continue to support the needs of BME communities as it has done for the past 3 years.
- Recognise its duty under the Equality Act 2010 to meet the needs of BME communities.

The petition may be presented to your local ward Councillor or sent direct to Committee Services Section, Department of Transformation and Resources, Town Hall, Brighton Street, Wallasey, Wirral CH44 8ED.

Signatures and details of persons signing this petition:

Name (please print)
Somjai Massey
Kanjana Thomas
Wrestawa Wolke
SYLWI A. MIANOWA
Arthur Skute

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24



We the undersigned petition the council to:

Save Girtrell Court Respite Home

Girtrell court is a Council run residential home that provides respite to people with disabilities and their carers. It supports people with some of the most complex needs on the Wirral. The Council has now proposed as one of it Budget Option to close Girtrell Court.

We call upon the Council to reject this proposed Budget Option and retain this unique and valuable service.

Name	
MR & MRS PITCHAM	
D. Randles	
R. SEEBLE	
D. PRITCHARD	
LAUREN THOMPSON	
C. RIMMER	
J. Dixon	
Stephan steel	
Marcie TOWER	
John Roche	
Sam Roche	
Mina Roche	
Stacey Rimmer	
Paddy Roche	
Amy Roche	
Claire Dixon	
Liam Bartram	
PETE GILLINGHAM	
Julia Rimmer	
PAUL HOSKIN	
John Scandic	
MARK Rimmer	
LYNETTE PRITCHARD	
Emily Pritchard	

Please return to Wirral

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Budget Debate Process

1. Cabinet Minute

- a. The Cabinet's Budget Recommendations/Minute(s) referred to at 7(i) of the Budget Council Procedure is formally moved by the Leader of the Council.
- b. The Cabinet's Budget Recommendations/Minute(s) is formally seconded.

2. Alternative Budget Proposal(s)/Amendments

- a. The Mayor will advise Council that Alternative Budget Proposal(s) or Amendments (submitted in accordance with 7(ii) of the Budget Council, Procedure) are to be proposed by both the other two Political Group Leaders and the Green Party Member (if applicable).

First Alternative Budget Proposal(s) or Amendment

- b. The Mayor will invite the Group Leader of the largest opposition political group to first propose his Alternative Budget Proposal(s) or Amendment.
- c. The Group Leader of the largest opposition political group formally moves his Alternative Budget Proposal(s) or Amendment.
- d. The Alternative Budget Proposal(s) or 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) or Amendment.
- f. The Group Leader of the other opposition political group formally moves his Alternative Budget Proposal(s) or Amendment.
- g. The Alternative Budget Proposal(s) or Amendment is formally seconded.

Third Alternative Budget Proposal(s) or Amendment
(If applicable)

- h. The Mayor will invite the Green Party Member to propose his Alternative Budget Proposal(s) or Amendment.
- i. The Green Party Member formally moves his Alternative Budget Proposal(s) or Amendment.
- j. The Alternative Budget Proposal(s) or Amendment is formally seconded.

In the event that there is no seconder, the Third Alternative Budget Proposal(s) or Amendment(s) shall not be debated or voted upon.

3. Debating and Voting

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

Order of Speakers

- a. The Leader of the Council will speak to the Cabinet Budget Recommendations/Minute(s) (15 Minutes).
- b. The Portfolio Holder for Children's Services will speak to the Schools' Budget element of the Cabinet Budget Recommendations/Minute(s). (7 Minutes).
- c. The Group Leader of the largest opposition political group will speak to the First Alternative Budget Proposal(s)/Amendment (15 Minutes).
- d. The Group Leader of the other opposition political group will speak to the Second Alternative Budget Proposal(s)/Amendment (15 Minutes).
- e. If applicable, the Green Party Member will speak to the Third Alternative Budget Proposal(s)/Amendment (15 Minutes).
- f. Other members wishing to speak shall indicate to the Mayor, who will call them to speak in the order determined by the Mayor (Each Member - 3 Minutes).

- g. The budget debate shall end with the Seconders, **unless** they have spoken earlier. (Each Seconder - 7 Minutes)

Right of Reply

- h. If applicable, the Proposer of the Third Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).
- i. The Proposer of the Second Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).
- j. The Proposer of the First Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).
- k. The Leader of the Council will be invited to exercise his right of reply. (5 Minutes).

Speakers

Speakers will be allocated the following time:

The Leader of the Council speaking to the Cabinet's Budget Recommendation(s)/Minute(s)	15 minutes
The Portfolio Holder for Children's Services (speaking on the Schools' Budget element)	7 minutes
The Group Leaders of the opposition political groups and Green party Member (if applicable) speaking to their respective Alternative Budget Proposal(s)/ Amendment	15 minutes
Other speakers	3 minutes
Seconder of an Alternative Budget Proposal(s)/Amendment (as applicable)	7 minutes
The Seconder of the Cabinet Budget Recommendation(s)/Minutes(s)	7 minutes
The Group Leaders of the opposition political groups and Green Party Member (if applicable) – right of reply	5 minutes
The Leader of the Council – right of reply	5 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 (and subject to 4(d)(ii) below):

a. If applicable, Third Alternative Budget Proposal(s)/ Amendment

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

b. Second Alternative Budget Proposal(s)/Amendment

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

c. First Alternative Budget Proposal(s)/Amendment

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

d. Cabinet Recommendation(s)/Minute(s)

(i) If all the Alternative Budget Proposal(s)/Amendments to the Cabinet's Budget Recommendation(s)/Minute(s) fall, a vote will be taken on the Cabinet's Budget Recommendation(s)/Minute(s).

(ii) If the Cabinet's Budget Recommendation(s)/Minute(s) are amended or an Alternative Budget Proposal(s) carried pursuant to 4a–c above, that decision will be regarded as an in-principle decision, and the Budget meeting of the Council shall be adjourned to 6:15pm on Wednesday, 9 March 2016 unless the Leader of the Council confirms to Council that he does not intend to challenge the in-principle decision, in which case it shall become effective.

In the event that the meeting is adjourned, the Council will reconsider its decision having regard to the Leader of the Council's written submission which must be submitted to the Head of Legal & Member Services by 4.00pm on Monday, 7 March 2016.

At that the adjourned meeting, the Council can:

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

- (ii) re-affirm its approval of the in-principle decision made on Thursday, 3 March 2016, upon the occurrence of which it will shall become effective; or
- (iii) approve a different decision that does not accord with the Cabinet Budget Recommendation(s)/Minute(s).

NOTE: The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires a recorded vote (i.e. names of all councillors voting and how they voted) to be taken in respect of all votes.

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The minutes of the Cabinet (Budget Meeting) held on 22 February, 2016 are (to follow in the Council Supplement)

DRAFT

CABINET 22ND FEBRUARY 2016 – ITEM 8

BUDGET RESOLUTION 2016/17

Cabinet notes the following:

NATIONAL CONTEXT

1. The 2016/17 Budget is being prepared against the most difficult financial backdrop this Council has ever faced. Local government is under attack from the Conservative's austerity agenda. We believe their vision is of a country where residents in every borough are left to fend for themselves.
2. Their policy of removing the Local Government Revenue Support Grant in its entirety is, in the opinion of this Cabinet, akin to the Government telling every Wirral resident – “don't call us, you're on your own”.
3. We believe this policy makes a mockery of the Conservative election campaign slogan “We're all in this together”. It shows no understanding of, nor concern for, the plight of those for whom local services are an important and often vital part of life. Those who rely on carers, are looking for safe affordable housing, value our libraries and leisure centres, or enjoy our parks and beaches. Rather than bringing us closer together, this Cabinet contends that this policy simply widens the gap between the rich and the poor.
4. Conservative Council leaders across the country, seemingly fearful of the electoral backlash in May, warned the Government of the danger of its actions. Even backbench Tory MP's spoke about their unease with this policy. The Prime Minister's own mother joined the protest at the cuts to local grants in her community.
5. It is worth noting, however, no such concern or support came from the Conservatives in Wirral: no campaign, petition or lobby from them – it's always somebody else's responsibility to clean up their mess and the irresponsible £17million overspend we inherited.
6. The Government did indeed respond to the outcry from across the political spectrum, but in a way that only further proved to this Cabinet how indifferent to the needs of the country they really are. The Government announced a

£300 million Transitional Fund sweetener – in the words of the minister – “*To help Councils transform from dependence on central government grants to greater financial autonomy*” - but almost exclusively targeted it at Conservative-run Councils, including those containing Mr Cameron’s seat in Oxfordshire and the Chancellor’s constituency in Cheshire East.

7. Where is Wirral’s share? Where is the estimated £2million per year that Wirral should have been entitled to, based on other funding formulas? Where is the money that could have gone towards tackling anti-social behaviour, improving skills and training for our young people, money to support vital services? Cabinet has received no support or heard of no concern from the local Conservative party to challenge this Government policy and support local residents.
8. The funding shortfall for local services will be compounded by the changes proposed for Business Rates. While Westminster and other London Councils can raise business rates from Global PLC’s, Banks and Hedge Funds headquartered in their boroughs, the impact on predominantly northern or rural boroughs is frightening. If the government goes ahead with its plan to stop providing additional funding to balance the different levels of business activity across England, it is estimated Wirral could lose a further £6m as a result of this change.

THE WIRRAL CHALLENGE

9. The immediate picture for local government is also challenging. Wirral is required to reduce its spending by at least £129 million before 2020, including a £28 million funding shortfall for the coming year (2016/17). These funding cuts to Wirral come at a time of increasing service demands from an ageing population, complex needs for deprived communities and an increase in costs of providing the services and support which people rely on.
10. Cabinet believes these reductions to be both unfair and unsustainable.
11. However, as residents know, we are a responsible Administration. We refuse to allow this Government to break the services our residents care about and rely on. We are pragmatic, and are able to make the difficult decisions needed to protect the most vulnerable and to deliver the 20 Pledges we committed to in our Wirral Plan.
12. We will continue to lobby government in the strongest possible terms to reverse these policies and to fight for Wirral’s fair share and treatment. Once again I call on Elected Members from all parties in Wirral to join me in this effort.

A COLLABORATIVE BUDGET

13. Cabinet will never set its budget in isolation. Time and again we have demonstrated we are an open, progressive Administration who listens.
14. We have listened to residents about what they value most. Once again this Council delivered the most far-reaching consultation and engagement exercise of any authority in the UK, with more than 10,000 local people engaging with us to share their views.
15. Cabinet thanks every resident and organisation who took part in this consultation. We have carefully considered all the responses and feedback we have received.
16. Cabinet also thanks Elected Members – of all parties – who took part in the comprehensive scrutiny process to look in detail at the budget proposals. The feedback from that process has been provided to Cabinet and has proved extremely helpful in making these difficult decisions.

MEETING OUR PLEDGES

17. Regardless of the scale of Conservative Government cuts to this Council's budget, we are a Labour Administration and our budget will be set in a pragmatic and legal framework, with social justice and fairness at its heart. Three core principles have been used to inform our budget, and ensure we make the savings required of us while still achieving the 20 Pledges we have committed to:
 - The vulnerable are safe and protected and we tackle inequality.
 - Wirral is a place where employers want to invest and businesses thrive.
 - We have an attractive and sustainable environment, where good health and an excellent quality of life is enjoyed by everyone who lives here.
18. In July 2015, when we launched the Wirral Plan and the 20 Pledges we will deliver over the next five years, we immediately set to work on making them a reality. We have published our first Annual Report, and I am proud of the achievements highlighted in it - £150million in inward investment coming online during 2016, nearly a thousand new jobs, and 230 new homes built or improved already. We have also created a new Local Authority Trading

Company, Wirral Evolutions, to deliver Day Services for adults and developed a joint company – Edsential – with Cheshire West and Chester Council to deliver services to schools such as catering, cleaning and school improvement.

19. There is still more to be done, but we have made a good start towards meeting our 20 Pledges to improve the health, wealth and quality of life enjoyed by Wirral residents.
20. In 2016/17 - this Council will invest more than £260 million into improving residents' lives – protecting the vulnerable, improving our environment and encouraging growth.
21. More than £70million will be spent supporting our elderly and disabled residents. Our pledge to support people to live independently will see us invest £5 million into providing high-quality, extra care housing options in Wirral. Extra care homes allow our elderly, frail and vulnerable residents to live with dignity and independence while still having the additional support and care they need.
22. We will also invest more than £70 million into protecting our young people; keeping them safe and ensuring they can aim for and achieve higher goals. Already this year we have supported 200 more Wirral families looking to become foster carers for the 700 children living in care in the borough. We are taking an innovative approach to making sure our young people have world-class sports and recreation facilities through the new Youth Zone, a £6 million partnership project between the Council and the private sector which is under construction as we speak.
23. We also know residents expect to be safe, and feel safe. In some parts of the borough, community safety and anti-social behaviour remains a blight on people's lives. We will continue to invest more than £2 million to clamp down on this abhorrent behaviour. This money will be targeted where our resources and those of our partners will have the biggest impact – pooling resources and putting our Anti-Social Behaviour teams under a single command structure led by the Police.
24. We will be investing around £50 million into making sure Wirral's environment remains a source of great pride for our residents. This will also enable Wirral to play its part in tackling climate change. A renewed drive to increase our recycling rates will continue, we will capitalise on the huge cultural, social and health benefits offered by our fantastic parks and we will continue to clamp down on those who damage our environment through littering and fly-tipping. This year we will go further, and will take the same hard line to tackle those

people who allow their dogs to foul pavements and parks. This issue is one which residents have told us is important to them: we have listened and we are taking immediate, sustained action.

25. Creating the thriving economy we want for Wirral will also continue at pace. The regeneration of Birkenhead – turning Wirral’s sleeping giant into a fundamental part of the Northern Powerhouse - will help create thousands of jobs for local people. We have worked hard with our partners at the Wirral Chamber of Commerce to help secure a Business Improvement District in Birkenhead – generating an additional £2m in income to deliver improvements such as enhanced security and cleanliness.
26. Efforts to attract inward investment will be joined by our continued support for local high streets and businesses looking to grow and expand within Wirral. In the past 12 months our rates of business start-up have been faster than anywhere else in the Liverpool City Region and we saw an 11% increase in the number of businesses in Wirral. We will retain our successful car parking pricing structure to support local businesses to remain competitive and succeed.

DIFFICULT DECISIONS

27. It is also clear that, once again, we are forced to make far reaching, large scale savings. To ensure the £28million cuts in 2016/17 are delivered in a managed, appropriate way and that they don’t place unnecessary strain on services and residents, we have had to take difficult decisions, act prudently and be innovative in how we deliver the outcomes residents expect in new and sustainable ways.
28. Because the scale of the cuts is so extreme, we have taken pragmatic and carefully costed financial management decisions to ensure the shambles of the £17million overspend we inherited does not happen again.
29. Cabinet also notes that generating additional new income - through new homes, new businesses and the extra revenue they generate - means we can protect the front line services residents care about and rely on.
30. Having been forced to cut £156 million from our budget since 2010, and losing the basic revenue support grant entirely by 2020, we are inevitably faced with difficult decisions about how to provide services now and in the future. We have to look at the services and outcomes residents need, but also think about how we will be able to deliver them going forward.

31. The grants that allowed us to do things in a certain way in the past are, in many cases, no longer available. Services funded by and delivered by the Council are becoming increasingly unsustainable for the long term. To ensure the outcomes our residents rely upon can continue to be delivered, we must work closely with our partners in the public, voluntary and private sector to find new ways to deliver higher quality and more cost effective solutions. As we state in the Wirral Plan, the challenge going forward is to deliver improved outcomes for the £2billion which the public sector collectively spends in Wirral.
32. The statutory consultation process in regard to the Girtrell Court budget proposal is ongoing. Rightly, every service-user and their family will be consulted about the service they will receive going forward and therefore we instruct the Director of Adult Social Services to complete the consultation process and, having regard to the feedback from that consultation process, in conjunction with the Cabinet Member for Adult Care and Public Health, make a determination on the most appropriate course of action regarding the proposal.
33. This proposal is not made because of some misplaced ideology or political dogma. When the ward member for Moreton West and Saughall Massie was a member of the last Conservative cabinet - they instructed Council to re-provide residential and respite care from **five** Council-run facilities, not because it was a consequence of government cuts, but because they believed private provision was better. Their resolution to Council is set out below.

“Cabinet recognises that Wirral currently has empty capacity in independent sector residential homes and that unit costs to the Council are higher than our neighbours. Cabinet recognises that there is an opportunity to reduce unit costs and develop the range of care supplied by a wide range of providers...”

“The respite care and interim care currently provided at Maplehome, Pensall, Poulton, Meadowcroft and Fernleigh be reprovided by suitable voluntary, community, faith-based or organisations [in] the independent sector under the terms of the existing Contract for Residential and Nursing Home Care together with appropriate care for the small number of long term residents in these homes and Manor Road. The Interim Director of Adult Social Services is also instructed to carry out further consultation with service users and their families, and with the small number of long term residents in these homes about the details of that re-provision.”

Conservative-led Administration, Wirral Council, 09 December 2010.

34. Short memories or political opportunism – you decide - but they have clearly performed a ‘U-turn’ on this position in the last few weeks, or maybe they just

didn't tell the residents and service-users they have been courting, that closing respite care facilities was their policy in the first place.

BUDGET PROPOSALS

35. We have listened to local people, and propose the Budget Report for 2016-17 be recommended to Council for approval, with the exception of the following:
36. This Council spends significant sums every year on providing information, advice and guidance regarding welfare rights. We believe there is a better, more efficient way of investing this money and instruct officers to complete a full review of all spend in this area, with a view to ensuring efficiency while at the same time ensuring the best value and best service for the investment we make. The Council's Welfare Rights service will form part of this review and this savings proposal will therefore be withdrawn while the review takes place.
37. Residents and friends groups have played an active role in the operation and direction of our libraries for many years. Cabinet does not feel that a robust and sustainable plan for delivering library services is yet in place. Cabinet therefore recommends that the projected saving from the library service will be withdrawn to allow for a full review of the options during 2016/17.
38. We have spent the past few months in consultation and negotiations with our Trade Union colleagues and have reached an agreement on the proposed savings related to terms and conditions, upon which Trade Unions are now consulting their Members. This agreement proposes our workforce will continue to take four days unpaid leave – for a further five years – but we will protect our lowest paid colleagues through retaining our pay enhancements and essential car user allowance for the immediate future.
39. Wirral's leisure offer continues to go from strength to strength. We invested £2 million in upgrading the facilities in our leisure centres last year, and will invest a further £2 million in capital funding this year. Already, we have seen a 25% increase in use as more residents take advantage of the opportunity to get fit and keep healthy. Cabinet agrees with the drive to make our leisure centres more sustainable commercially, and equally believes the most vulnerable in our community should also be able to access the facilities and keep fit and healthy. Therefore, we will retain free swimming in school holidays for those young people who receive a pupil premium because their families are most economically disadvantaged.

COUNCIL TAX

40. Throughout his time as Chancellor, George Osborne has known there is a funding crisis in adult social care. But rather than address the problem he made it clear in his Spending Review and all of the financial projections coming out of Whitehall that most eligible Councils in the UK are expected to implement a 2% Adult Social Care Levy. We believe his response is not to fix a crisis, but to ask hard-working Wirral residents to fix it for him.
41. Over the past three years, we were able to freeze Council Tax to help take the pressure off working families. Sadly, this year, in a cynical post-election move, the Government dropped the grant that enables us to repeat that again this year. In our view this is yet another example of the Government telling us, very firmly, local services are 'not their problem', and if we want to provide them for Wirral residents, then we need to raise the funds ourselves.
42. We want to secure the best outcomes for residents, so Cabinet therefore proposes to increase Council Tax by 1.99% for the coming financial year, and to implement the 2% Adult Social Care Levy. These measures will enable the Council to generate over £4 million to further protect services for residents.

CONCLUSION

43. Once again, this budget has been extremely difficult. Ongoing, draconian reductions in funding and a lack of support from Central Government require this Council to make tough decisions. We will continue to lobby Government in the strongest possible terms to rethink these policies and their impact on Wirral.
44. We believe the Government is letting down this borough – residents should rest assured that we will not.
45. I am pleased that once again we have protected the services residents care about and rely on. Over the coming year it is our absolute imperative to put in place an ambitious but deliverable programme of transformation, to take a fresh look at what this Council does and find new, innovative ways of meeting residents' needs and aspirations.
46. I am proud that this Labour Administration has once again met its duty to the people of Wirral – taking tough decisions and setting a balanced budget, identifying innovative solutions to provide sustainable outcomes and is getting on with the job of delivering our 20 Pledges to create a better Wirral for all of our residents.

RECOMMENDATIONS

- 1 Cabinet, having had regard to the budget consultation responses and findings, recommends to Budget Council for approval:-

Revenue Budget (Agenda Item 8A)

- a) The savings for 2016/17, detailed in Appendix 1, being agreed with the removal of the savings proposals in respect of the Welfare Rights Unit £106,000, Libraries £203,000 and £1.2 million relating to Terms and Conditions. It is confirmed that the Public Health contract proposed savings for BME Health Improvement Service £53,000 and On Line Counselling £25,000 will not be taken in 2016/17.
- b) The Budget Growth 2016/17, detailed in Appendix 2, being agreed.
- c) The fees and charges, detailed in Appendix 3, being agreed with delegated authority given to the Acting Section 151 Officer to (i) update the Council Fees and Charges Directory prior to publication before 1 April 2016; (ii) with the relevant Director, in consultation with the relevant Portfolio Holder, vary/change existing fees and charges as considered appropriate providing any variation/change can be met from existing approved budgets.
- d) The level of General Fund balances continuing 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.
- e) The release of reserves, as detailed in Appendix 5, be agreed and be used to fund the 2016/17 Revenue Budget Contingency.

Capital Programme and Financing (Agenda Item 8B)

The new bids as detailed in Appendices 2 and 3 be approved.

Any new bids supported by grant funding not commencing until written confirmation has been received from the granting authority that such grant(s) have actually been approved.

The Capital Programme 2016/19 (as detailed in Appendix 4).

Medium Term Financial Strategy (Agenda Item 8C)

The Treasury Management Strategy 2016-19 including the:-

- i) Treasury Management Strategy 2016-19.
- ii) Adoption of the Prudential Indicators.
- iii) Minimum Revenue Provision policy for 2016/17
- iv) Council Officers listed in Annex G to approve payments from the Council's bank account for all treasury management activities.

The Medium Term Financial Strategy 2016/17-2020/21

- i) The Medium Term Financial Strategy 2016/21.
- ii) To regular updates of the Medium Term Financial Strategy in accordance with the action plan.

Schools Budget (Agenda Item 8D)

The Schools Budget of £243,273,400 having taken account of the views and changes proposed by the Schools Forum that:

- i) The contributions to Combined Budgets should be £1,698,800.
- ii) The use of Dedicated Schools Grant (DSG) reserves totalling £568,900 to set the Schools Budget.
- iii) The Schools Funding Formula is submitted to the Education Funding Agency and its make-up is unchanged from decisions made in previous years.
- iv) That the permanent changes to High Needs Places are agreed together with the allocation of High Needs Growth of £532,000.
- v) The necessary steps are taken to trade or cease services when direct central funding is withdrawn at the end of the Summer Term for Minority Ethnic Support, City Learning Centres and Wellbeing.
- vi) Following consultation and discussion with schools and the Schools Forum the school redundancy policy is changed with effect from September 2016. In future the only costs that will be supported centrally will be where staffing decisions are taken as a result of falling school rolls. All other redundancy or severance costs will be charged to the delegated schools budget concerned.

Carbon Budget (Agenda Item 8E)

To ensure the Council better understands and meets its carbon legal obligations and aspirations, a revised 3 or 5 year policy on carbon emissions and management be developed for the borough, having regard to the Wirral Plan and presented for consideration and approval at Policy Council. The current carbon budget be extended until that time.

The Cabinet in making these recommendations has had regard to 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.

2 Cabinet recommends to Budget Council that a separate recorded vote be taken in respect of Council Tax levels for 2016/17 and that :-

- a) For Wirral Council Services the Council Tax be increased by 3.99% for 2016/17 which includes a 2% increase in respect of Adult Social Care.
- b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.
- c) Having regard to the fact that the precepts may be determined after the Council has determined its Council Tax levels for 2016/17 authority be delegated to the Acting Section 151 Officer to publish the final Wirral Tax levels for 2016/17.

3 **The Statutory Calculations and Resolution**

It be noted that in accordance with Section 31B of the Local Government Finance Act 1992 (as amended), that Cabinet on 17 December 2015 calculated the Council Tax Base 2016/17 for the whole of the properties in its area as 90,481.9 (Item T in the statutory formula).

That the following amounts be calculated and approved by the Council for the year 2016/17 in accordance with Sections 32-36 of the Local Government Finance Act 1992 (as amended) ("the Act");

- a) £120,274,139 being the amount calculated in accordance with Section 31A (4) of the Act (amended) as the Council Tax Requirement for 2016/17 (item R in the statutory formula). This amount (D) is determined as being the difference between:
 - i) £798,891,200 this being the aggregate of the amounts calculated in accordance with Section 31A (2) of the Act (as amended), i.e. the aggregate of the amounts that the Council estimates that will be charged to a revenue account for the year in performing its functions, that are required to be set aside for contingencies and reserves and required to be transferred from its General Fund to its Collection Fund in the year and
 - ii) £678,617,061 this being the amount calculated in accordance with Section 31A (3) of the Act (as amended), i.e. the aggregate of the amounts of income that the Council estimates will be credited to a revenue account for the year in accordance with proper practices, the amount of reserves that are estimated to be used to provide for the items referred to in paragraph

- (a) above, and required to be transferred from its Collection Fund to its General Fund in the year.
- b) £1,329.26 being the amount calculated in accordance with Section 31B (1) of the Act (amended) as the Basic Amount of Council Tax for 2016/17. This amount being calculated as item R divided by item T (as above).
- c) That in accordance with section 36(1) of the Act that the following amounts are calculated for each valuation band in the area:

Wirral – Basic Amount of Council Tax Per Valuation Band

A	B	C	D
£886.17	£1,033.87	£1,181.56	£1,329.26
E	F	G	H
£1,624.65	£1,920.04	£2,215.43	£2,658.52

These amounts being the amounts given by multiplying the amount calculated as the Basic Amount of Council Tax by the number which in the proportion set out in Section 5(1) of the Act is applicable to dwellings in a particular valuation band which is applicable to dwellings listed in valuation Band D.

It be determined that the amount set in (c) above as the Council’s Basic Amount of Council Tax for 2016/17 is not excessive in accordance with the principles determined by the Secretary of State under section 52ZC of the Act (as amended) and that no Referendum to approve the Basic Amount of Council Tax is required. The principles require a Referendum to be held for any increases of 4% or above for those authorities with Adult Social Care responsibilities.

Wirral – Basic Amount of Council Tax Comparison For Referendum

	2015/16	2016/17	Change	Change
	£	£	£	%
Band D	1,278.26	1,329.26	51.00	3.99

To note that the Police and Crime Commissioner for Merseyside and the Merseyside Fire and Rescue Service issue precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council’s area. This will be as indicated in the tables which when received will be included in updated tables to Council.

Police and Crime Commissioner for Merseyside (figures are awaited)

A	B	C	D
E	F	G	H

Merseyside Fire and Rescue Service (figures are awaited)

A	B	C	D
E	F	G	H

That having calculated the amounts for Wirral together with the Police and Fire the Council in accordance with Section 30 (2) of the Act hereby sets the following amounts as the total amount of Council Tax for the year 2016/17 for each of the categories of dwellings.

Total Council Tax for Wirral (awaiting figures for Police and Fire)

A	B	C	D
E	F	G	H

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COUNCILLOR PHIL DAVIES

CABINET
22 FEBRUARY 2016

REVENUE BUDGET AND
COUNCIL TAX LEVELS 2016/17

Councillor Phil Davies, Leader of the Council, said:

“We are a responsible Administration, and for as long as I am Leader this Council will always set a fair, sustainable and balanced budget. Ongoing austerity measures make it difficult to continue to provide the services our residents rely on and care about.

We agreed our Wirral Plan in July, and we remain as committed to our 20 Pledges now as we were then. We have a duty to set a Budget which delivers on our Pledges to local people.”

REPORT SUMMARY

The report provides an update on the Council Budget 2016/17 reported to Cabinet on 17 December 2015. It sets out the background and the key elements contributing to the preparation of the Budget for 2016/17.

Cabinet has to recommend a Budget proposal to Council on 3 March 2016. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2016. This is in order to formally set the Revenue Budget and Council Tax for the 2016/17 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2016/17 by 10 March 2016.

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

RECOMMENDATIONS

- 1 Cabinet recommends to Budget Council a Budget proposal for 2016/17 based upon:-
 - a) The savings for 2016/17 as set out at Appendix 1.
 - b) The Budget Growth for 2016/17 as set out in Appendix 2.
 - c) The fees and charges, as in Appendix 3, with delegated authority being:-
 - i) given to the Acting Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2016.
 - ii) given to the Portfolio Holder in consultation with the relevant Director and Acting Section 151 Officer to vary existing fees and charges.
 - d) The level of General Fund balances being recommended, as detailed in Appendix 4, as continuing to be based on a locally determined approach based on an assessment of the financial risks that the Council may face in the future and that the Council maintains balances at, or above, this level.
 - e) The release of reserves by Directorates, as detailed in Appendix 5, being agreed and used to fund the 2016/17 Revenue Budget Contingency.
 - f) The flexibilities available over the use of Capital Receipts received after the 1 April 2016 to support revenue spending in the area of transformation.
 - g) The Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 6.
- 2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2016/17 and that :-
 - a) For Wirral Council Services the Council Tax be increased by 3.99% for 2016/17 which includes the Adult Social Care Precept of 2%.
 - b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Cabinet is required to recommend a Budget to Council on 3 March 2016. The issues detailed in this report support the recommendations which all contribute to enabling Cabinet to be in a position to recommend a Budget proposal.
- 1.2 Section 25 of the Local Government Act 2003, requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.
- 1.3 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires that a recorded vote, detailing the names of all Councillors voting and how they voted, be taken in respect of all votes involved in setting the Budget and Council Tax levels.
- 1.4 The Police & Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Service issue a precept on the Council to be paid through the Council Tax.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

PROGRESS SINCE THE PROJECTIONS AT 17 DECEMBER 2015

- 3.1 This Budget 2016/17 and Medium Term Financial Strategy Report was presented to Cabinet on 17 December 2015 and proposed savings for consultation. This report provides an update incorporating the impact of subsequent changes including the Final Local Government Finance Settlement. For Wirral the Final Settlement was the same as the Provisional Settlement although details of the Specific Grants have still to be finalised.
- 3.2 As part of the Final Settlement the Government have set out projected funding levels for local authorities up to 2019/20 with the offer of a four year Settlement. This provides a degree of certainty over the period and authorities have until 14 October 2016 to respond to the Secretary of State confirming whether they wish to take up the offer. This is linked to the phasing-out of the main Government Grant, the Revenue Support Grant, and precedes the proposed 100% retention of Business Rates post-2020
- 3.3 The Government has indicated that the funding for local authorities in 2019/20 will be at similar levels to that in 2016/17. This is based upon local

authorities increasing their Council Tax Base each year in line with current national averages, implementing Council Tax rises of 1.99% each year, the implementation of the 2% Adult Social Care Precept each year and increased resources from the Better Care Fund from 2017/18 (which is linked to reductions in the New Homes Bonus Scheme). This level of funding makes no allowance for increased demand through demographic changes or inflationary increases or legislative changes such as the impact of the National Insurance increases from April 2016.

- 3.4 As referred to in the December 2015 report, information relating to the 2016/17 financial year was awaited and some still remains outstanding which is also the case for future years. This report focusses on the Budget for 2016/17. With the Wirral Plan being developed with partners into a series of strategies and plans to deliver the 20 Pledges the continuing pressures on available funding mean opportunities to increase income from Business Rates and Council Tax are key. There will be difficult decisions to be made to successfully deliver the Wirral Plan whilst meeting statutory responsibilities. The Wirral Delivery Plan and Medium Term Financial Strategy for 2016/17 to 2020/21 are to be formulated and then considered by Cabinet / Council in June / July 2016.

FINANCIAL YEAR 2015/16

- 3.5 The financial position in 2015/16 provides a guide for the development of the Budget for 2016/17. The latest Revenue Monitoring report details the position at Quarter 3 (to 31 December 2015) and is on this agenda.
- 3.6 The latest projections being an £80,000 overspend whilst work continues to identify further in-year savings. However this reflects overspends within both Adult Social Services and Children's Services primarily as a result of increased care costs. Although offset by projected underspends within other Directorates this highlights the likely challenges that can be expected in the new financial year.
- 3.7 In considering the reported position Cabinet are reminded that the Quarter 1 (June 2015) Monitoring Report showed that the Council was on target to deliver over £28 million of the planned savings in year, however there was identified slippage of £9.6 million. It was subsequently confirmed by Council that these savings be covered from a combination of Reserves and Balances in 2015/16. The level of General Fund Balances included an element based on a risk assessment of the deliverability of the savings so sums were set-aside in the event of slippage occurring.
- 3.8 The issues highlighted throughout 2015/16 are important when considering the deliverability of the Budget for 2016/17 which includes further planned savings. Integral to this is ensuring the financial resilience is in place to mitigate against potential adverse variances such as where planned savings may not be delivered.

FINANCIAL YEAR 2016/17

- 3.9 The details and table below outlines the changes to the financial projections and budget proposals considered by Cabinet on 17 December 2015.

Table 1: Changes to Budget Proposals and Budget Gap

Projected updated Budget Gap	£m	£m
Original Budget Gap		24
Add : Further reductions in the Grants (see 3.10)		
Provisional Local Government Finance Settlement	+2.0	
Specific Grants (Adults) now in Grant	+2.1	
Updated Budget Gap		28.1
Less : Additional Resources savings (see 3.11)		
Projected reduction in the Transport Levy	-1.4	
Reduction in the National Insurance requirements	-1.5	
Additional Council Tax from higher base	-0.2	
Updated Budget Gap		25.0
Less: Proposed Savings December 2015 (see Table 2)		26.9
Revised Budget Position		-1.9
IF all savings agreed is a 'surplus' of funding		

- 3.10 The Provisional Settlement showed a reduction of £2 million more than projected increasing the gap to £26 million. Since then the £2.1 million of Specific Grants for Adult Social Services have been clarified as being within the Revenue Support Grant meaning the loss was greater and increasing the gap further. The Final Settlement on 8 February 2016 confirmed this change. Still awaited is conformation of over £60 million of Specific Grants which includes Public Health.
- 3.11 Favourable items identified since December 2015 are the announcement of the Transport Levy which has resulted in a further reduction of £1.4 million and the detailed work on the impact of changes to National Insurance from April 2016 has enabled the projections to be reduced by a further £1.5 million. A review of the impact of the Council Tax rises has identified that both the General Increase and the Adult Social Care Precept will generate an additional £0.1 million.
- 3.12 The Revised Budget position assumes that all the savings included in the December 2015 Cabinet report are agreed and implemented.

SAVINGS

- 3.13 In setting the Budgets for 2014/15 and 2015/16 Council agreed £3.1 million of savings which impact upon 2016/17 and as such were factored into the Original Funding Gap.
- 3.14 Cabinet on 17 December 2015 considered £26.9 million of budget reductions and proposals for 2016/17. This included the assumption that

the Council would increase Council Tax levels, including the Adult Social Care Precept, in 2016/17 but was dependent upon the terms of the Local Government Finance Settlement. Officers were authorised by Cabinet to undertake consultation and engagement with residents and other stakeholders on a number of budget proposals.

- 3.15 The consultation took place between 18 December 2015 and 29 January 2016. The outcomes are reported on this agenda for Cabinet and a number of the proposals will require further specific consultation before they are finally implemented.
- 3.16 The schedule of all the savings proposals are detailed in Appendix 1 and, as referred to in the December 2015 report, are set out on the basis of the four themes being:-
- 3.17 **Income and resource management** The Council must do all it can to build its way to a sound financial position. More investment, more jobs and more housing coming into the borough transforms our finances. It translates into more business rates, more Council Tax and more people in work. Every pound we bring into the Council is a pound we can invest in the kind of modern service people need.
- 3.18 **Managing Demand** Reducing the demand (and subsequently the cost) of specialist, substantial services mean we are able to invest more resources into early intervention and prevention services. In line with the Wirral Plan and the views of residents it is important to protect the vulnerable. The proposals seek to make no overall reductions in the levels of spending on care services for adults and children. Working with Health partners to improve the health and well-being of Wirral people will see the integration of resources to realise efficiencies to help meet the increasing demand from within the currently available budget.
- 3.19 **Delivering Differently** The Wirral Plan sets out how public services will work better together to deliver better job opportunities, a quality local environment, better health and a good life for local children and older people in particular. The Council continues to find new and innovative ways of working in partnership to achieve the outcomes Wirral residents need and will build upon the initiatives around Community Asset Transfer and the recently launched Schools Company (Edsential) and Day Services company (Wirral Evolutions).
- 3.20 **Service Changes:** The scale of the financial reductions which are imposed on us makes it impossible to avoid changing or reducing some services. We will do all we can to work with partners to manage the impact of those reductions, particularly on the most vulnerable, and we will challenge ourselves to be more efficient, to integrate more and come up with new solutions to make our money go further.

Table 2: Summary Of Agreed / Proposed Savings 2016/17

By Date	£m
Budget 2014/15 - December 2013	1.2
Budget 2015/16 - December 2014	1.9
Budget 2016/17 - Proposals December 2015	26.9
Additional savings identified (see 3.11)	3.1
Total	33.1

By Directorate	£m
Families and Wellbeing	5.7
Regeneration and Environment	7.8
Transformation and Resources	4.7
Corporate / Efficiencies	14.9
Total	33.1

- 3.21 The 2016/17 Budget process included a review of the issues identified from the 2015/16 monitoring. The degree and scale of change to deliver £38 million of savings in 2015/16 has been a significant challenge to successfully implement whilst still delivering services. Whilst the majority of savings have been delivered it is clear that challenges to implementation remain. The development of the 2016/17 savings proposals included reviews and challenge sessions across the Directorates as well as a further review by the Interim Strategic Finance Advisor. The process sought to ensure the budget proposed is robust and takes account of potential risks that can be quantified.
- 3.22 The savings to be delivered during 2016/17 include those delayed from 2015/16 and whilst a significant element of these have been / will be delivered those identified as 'transformation' are the main areas where there are risks associated with the successful delivery in 2016/17.
- 3.23 Progress on delivery will be monitored through the Financial Monitoring arrangements already in place and the developing area of the revised Transformation Programme and reported to Cabinet on a quarterly basis. The risk of delays in the implementation of savings is recognised and rather than be covered by an element of the General Fund Balances is to be addressed by the creation of a Revenue Budget Contingency in 2016/17.

GROWTH ITEMS

- 3.24 The Budget Projections for 2016/17 included an assessment of growth arising from demographic changes, inflationary rises and agreed options. All Strategic Directors and Chief Officers identified potential growth bids that were reviewed by internal challenge as to their validity and justification.
- 3.25 The agreed growth bids are detailed at Appendix 2. These have been accepted where the Council has a contractual obligation to fulfil. The growth

includes the re-instatement in the Budget the savings from the Extra Care Housing initiatives as these have been deferred as the schemes are subject to further negotiations with potential developers and providers. For completeness this growth includes those items of a corporate nature held as a central liability such as future pay awards.

- 3.26 Within the savings identified under Income and Resources Management there are a number which have removed previous growth assumptions including such as potential levy increases. The growth included Prevention and support for vulnerable families (£0.5 million) and Housing (£0.25 million) that is to be funded for a final year through the Community Fund set up by the Council / Wirral Partnership Homes following the transfer of the Council housing stock in 2005.

Table 3 : Summary of the Growth

	2016/17
By Change	£m
Demographic	1.3
Other	0.4
Inflation	0.5
Unallocated (legislative)	6.5
Total	8.7

- 3.27 At this stage there are items for which there is uncertainty such as the future of the Specific Government Grants for which announcements from the Government are still awaited.

LEVIES

- 3.28 There is a statutory requirement to agree the levies for 2016/17 before 14 February 2016 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.
- 3.29 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 5 February 2016. In overall terms the Transport Levy reduces by 7.3% due to reductions in operating costs and additional income generated by Merseytravel. The Wirral levy for 2016/17 will reduce by £1.949 million (7.4%) which is reflected in Table 2 being higher than the £0.5 million originally forecast.
- 3.30 The Merseyside Recycling & Waste Authority met on 5 February 2016 and is considering further options regarding the Waste Levy for 2016/17. This will require the use of balances in order to mitigate any increase which is projected to be over 3% in each of the following years. At this stage it is anticipated that the levy on Wirral will be similar to 2015/16.

- 3.31 The Waste Authority released the Waste Development Fund to constituent authorities during 2014/15. The use of this 'one-off' resource is subject to compliance with conditions set out in a Memorandum of Understanding. The Council Budget includes the release of £1 million to support waste service provision in 2016/17.

PENSIONS

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

Table 4 : Pension Fund Increased Costs

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

- 3.34 The increase of £0.4 million for 2016/17 is within the Budget Projections. An indicative sum to reflect the impact of the next triennial valuation of £2.5 million has been included in the budget projections for 2017/18.

INCOME STRATEGY

- 3.35 With Business Rates to be retained locally from 2020 and the phasing out of the main Government Revenue Support Grant income generation assumes even greater importance. The Council continues to look at income opportunities having regard to the level of risk and linkages to the priorities as set out in the Wirral Plan and in the underpinning Growth, Treasury Management and Asset Management Strategies. Within the range of income sources is also that received through fees and charges.
- 3.36 Within the Growth Strategy are the areas of developing and expanding business growth which brings economic benefits to Wirral as well as additional income from Business Rates and from increasing the housing stock on Wirral with this generating additional Council Tax income.

- 3.37 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held (be it through Government Grants received in advance of the need to spend or sums held in balances to meet unplanned spending or reserves required to meet future spend) in areas to generate an income having regard to the risks associated with investment. Also the minimising of borrowing costs (through the use of internal funds to defer the need to borrow).
- 3.38 Within Asset Management there is investment made in properties which generate a return such as Industrial Units and through working with Wirral partners assets deemed as surplus to requirements are released which both reduces running costs and also generates income through Capital Receipts.
- 3.39 All fees and charges, including concessions, are reviewed as part of the Annual Budget setting process and a Directory of Council Fees and Charges is maintained on the Council web-site.
- 3.40 Directorates have examined their fees and charges for the 2016/17 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 2016/17 Budget. Appendix 3 provides more detail.
- 3.41 Cabinet is asked to note the Directory and give Delegated Authority to the Acting Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2016.
- 3.42 Cabinet is also asked to agree to giving delegated authority to the Portfolio Holder in consultation with the relevant Director and Acting Section 151 Officer to vary existing fees and charges.

LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)

- 3.43 The Provisional LGFS was announced on 18 December 2015 and the consultation closed on 15 January 2016. The Final Settlement was announced on 8 February 2016 which saw the position for Wirral being unchanged.
- 3.44 The Settlement sees Wirral's main grant reducing by £14 million in 2016/17. In 2015/16 Wirral received total main grant funding of £65 million and for 2016/17 the announced amount is £51 million. This reduction is some £2 million higher than the initial projections and has increased by a further £2.1 million through the Government consolidating previously separate Social Services Grants within the main grant. The total reduction in 2016/17 is therefore £16 million.
- 3.45 Prior to 2015/16 the Government provided a grant to fund the Local Welfare Assistance responsibility transferred to local authorities from the

Department for Work and Pensions. There is no Government grant for 2016/17 although the Provisional Settlement includes an indicative amount of £1.2 million for spend in this area but no funding.

- 3.46 In 2016/17 the New Homes Bonus Grant has increased to £3.2 million from £2.6 million in 2015/16. This increase of £0.6 million is in line with projections. The Government has launched a consultation on the future arrangements for the New Homes Bonus Scheme as the present funding will be significantly reduced from 2017/18 as the resources are transferred to the Better Care Fund.
- 3.47 Announcements are still awaited in relation to a number of ring-fenced grants of which the largest is the Public Health Grant. During 2015/16 this was increased when responsibility for the Public Health of Children aged 0-5 transferred to local authorities from October 2015. However it was also subject to an in-year reduction of £1.9 million. At this stage the projections assume a £3 million reduction in 2016/17.
- 3.48 The most significant changes are again in the area of Adult Social Care. As referred to earlier Government support for the impact of the Care Act in 2015/16 of £2.1 million has now been included within the main Revenue Support Grant. From July 2015 responsibility for the Independent Living Fund transferred to the Council from the Department of Work and Pensions and additional funding of £1.8 million per year is anticipated. The Government launched a consultation on the Fund on 10 February 2016 with indicative grant figures seeing Wirral receiving £1.7 million in 2016/17 so this grant has not been confirmed.
- 3.49 Since April 2015 a Better Care Fund (BCF) pooled budget arrangement has been in place with Wirral CCG and operates under Section 75 joint governance arrangements being hosted by the Council. A condition of accessing the money in the Fund is that spend must be in line with the jointly agreed spending plans and these plans must meet certain requirements. The Wirral Fund comprises existing Wirral CCG and Wirral Council funding with the Council funding including Disabled Facilities Grant (£2.1 million), Social Care Capital Grant (£1 million) and the NHS Social Care Transfer Grant (£6.7 million). The Government has announced that there will be an increase in the BCF allocations from 2017/18 onwards.
- 3.50 The Government also announced that Adult Social Care authorities are able to levy a 2% Adult Social Care precept from April 2016. This has to be separately identified on the Council Tax bill and its purpose is to help meet the demand pressures for care services. The details of how this is to be identified and reported are still to be confirmed but the indications are that the S151 Officers will have to demonstrate that this increasing additional resource has been allocated to Adult Social Care budgets each year that it is levied.
- 3.51 Following the Supreme Court ruling in March 2014 all local authorities have been faced with additional pressures in respect of the Deprivation of Liberty

Safeguards (DoLS). No additional funding has been provided from the Government.

COUNCIL TAX

- 3.52 Cabinet on 17 December 2015 agreed the Council Tax Base for use in 2016/17. The number of properties are adjusted for the Local Council Tax Support Scheme and other Council Tax Discounts, Exemptions and Disabled Relief and then converted to a Band D figure and then by the Collection Rate to give the Council Tax-Base.

Table 5: Wirral Council Tax Band D calculation 2016/17

Band	Properties as at October 2015	Changes due to Council Tax Support, discounts and exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	59,950	-26,004	33,946	6/9	22,630.6
B	32,142	-7,681	24,461	7/9	19,025.6
C	27,109	-4,331	22,778	8/9	20,247.4
D	13,196	-1,529	11,667	9/9	11,666.6
E	8,073	-730	7,343	11/9	8,974.4
F	4,238	-318	3,920	13/9	5,661.8
G	3,082	-189	2,893	15/9	4,820.8
H	261	-35	226	18/9	452.7
Band A Disabled (<i>1/9th of Band A</i>)			75	5/9	41.4
Total	148,051	-40,817	107,309		93,521.3
Collection Rate					x 96.75%
Adjusted Council Tax-Base 2016/17					90,481.9
Council Tax Base 2015/16					89,345.0

- 3.53 The increase in the Council Tax Base from 2015/16 has seen the projected Council Tax income for 2016/17 increase by £1.6 million which is reflected in the Budget 2016/17.
- 3.54 The Government has announced that there will not be a Council Tax Freeze Grant in 2016/17 for Councils which freeze Council Tax levels. For Councils which agree to increase Council Tax the Government has again imposed the requirement for a Council Tax Referendum of increases of 2% and over. However for Adult Social Care authorities this is set at 3.99% as it includes the 2% Adult Social Care precept. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2016/17 and 2017/18 (includes levies).
- 3.55 Cabinet / Council in December 2015 announced that the assumption was that Council Tax levels would be increased 1.99% and the 2% Adult Social Care Precept subject to the Final Settlement.

Table 6: Council Tax Options

Options	£m
Tax Rise of 1.99% for Council Services	2.3
Plus Tax Rise of 2% for Adult Social Care	+2.3
Tax Rise of 3.99% being below the Referendum Level	4.6

BUSINESS RATES

- 3.56 The Local Government Finance System changed from 1 April 2013 and billing authorities retain a proportion of locally raised business rates and either pay a tariff or (as in Wirral's case) receive a top-up to ensure a comparable starting position with the previous funding system.
- 3.57 Business Rates is a particularly complex and volatile tax area that can fluctuate due to a number of reasons including:
- Appeals against rating decisions. Dealt with by the Valuation Office Agency and can be large and backdated a number of years.
 - Changes in liability relating to changes in occupancy.
 - Changes in building use.
 - Alterations to buildings size and layout.
 - Demolitions and new builds.
 - Actions to avoid full liability inc empty property and charitable reliefs.
 - Assessment of bad and doubtful debts.
- 3.58 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 Service 1%.
- 3.59 A declaration of an estimated surplus or deficit for the 2015/16 financial year together with a forecast for 2016/17 had to be submitted to the Government by 31 January 2016. Business Rates are managed through The forecast Business Rates income for 2016/17 shows that the receipts to the Council will increase by £1.5 million from the 2015/16 levels which is £0.3 million less than the Budget projections. The shortfall is to be covered from the Business Rates Equalisation Reserve for 2016/17.
- 3.60 Whilst presenting opportunities the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. In completing the declaration the above factors are relevant and there has been liaison with the Department for Communities and Local Government over amendments to the declaration and clarification sought over entries particularly relating to the Enterprise Zone. The declaration was submitted on 29 January 2016.
- 3.61 Since April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate

local authorities for these decisions the Government has allocated Councils a Section 31 Grant. An announcement regarding the grant for 2016/17 is awaited from Government.

LEVEL OF GENERAL FUND BALANCES

- 3.62 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 / emergency expenditure.
- 3.63 The level of Balances should be based on the Council's own specific circumstances. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the Accounting Code). Appendix 4 has the calculation updated and adapted for 2016/17 with the main change being the exclusion of an element for the risk associated with the deliverability of the savings. This change in the method of assessment is due to the introduction this year of a detailed risk assessment of savings. For 2015/16 there was a general assessment of savings that lead to a generic amount included in the balances calculation. To enable a better control of savings risks a discrete amount is to be included in the Revenue Budget to mitigate the risk associated with these savings. This will be partly funded by a release of General Fund Balances of £3 million as they are projected to be £14.5 million at 31 March 2016 and the revised assessment is for £11.5 million.

Table 7: Summary Of The Assessed Level Of General Fund Balances

	2015/16	2016/17
	£m	£m
Assessed at February 2016	17.4	11.5
Assessed at February 2015	17.4	17.3

- 3.64 The latest Monitoring Report (December 2015 - Month 9) showed the projected balance at 31 March 2016 to be £14.5 million. This is based on a projected overspend of £0.1 million for which work to reduce / eliminate this overspend continues.

Table 8: Summary Of the Projected General Fund Balances

Details	£m
Balance 31 March 2015 when setting the Budget 2015/16	+17.4
Add : Increase following closure of 2014/15 Accounts	+1.4
Less : Transfer to General Fund	-4.2
Less : Potential overspend at August 2015	-0.1
Projected balance 31 March 2016	+14.5

REVIEW OF RESERVES

3.65 Resources set-aside for specific purposes as reserves should be established and used in accordance with the purposes intended. These are reviewed at least twice a year including in preparation for the 2016/17 Budget. The review recommends the release of £6.5 million of those reserves which are detailed in the Appendix 5 as being no longer required and used to create a Revenue Contingency Budget for 2016/17.

3.66 **Table 9 : Categories of Reserves**

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

REVENUE BUDGET CONTINGENCY

3.67 It is proposed to create a Revenue Budget Contingency drawn from General Fund Balances and the release of Earmarked Reserves. This 'one-off' source of funding within the Revenue Budget is to mitigate the financial risks associated with the implementation of savings requiring transformation, the previously highlighted 2015/16 issues in delivering some savings whilst facing increasing financial pressures in demand led services.

3.68 The use of this contingency will be monitored during 2016/17, incorporated within the Financial Monitoring reports to Cabinet, prior to any potential continuation across the MTFS period. This allows sufficient time to implement the savings proposals and any required transformation whilst avoiding unnecessary risk associated with the high level of savings the Council is required to make.

3.69 In previous years an amount has been held in General Fund Balances to cover the potential risk of the failure to deliver savings. This has been excluded from the calculation for 2016/17 and instead is covered by the contingency. The reasons for the non-deliverability are being thoroughly

reviewed and the necessary resources to deliver the transformation are to be put in place to make this happen/

3.70 Table 10 : Risk / Pressures in the Budget 2016/17

Summary of Risks / Pressures 2016/17	£m
Adult Social Services Overspend 2015/16 Slippage in savings and increased pressures. Action plan being developed to contain the level of overspend and meet the demand pressures but this is the projected requirement.	2.4
Adult Social Services to contain demand for 2016/17. Based on the work with Health which will see the integration of service delivery for which this Transformation is being jointly driven.	-
Children's Services Looked After Children Placements / costs increased during 2015/16. This was in addition to the planned saving of £1.4m which was deferred to 2016/17 and in addition to the projected overspend of £2.6m. Action plan being developed but this is the projected risk.	4.0
Transport Savings 2015/16 and earlier not delivered. Assumes £0.5m achieved but needs full review of transport requirements.	1.0
Remodelling Of the £10.9m savings target there are no proposals to deliver the residual balance so the Budget needs to be re-instated.	1.7
Contingency based on other 2016/17 savings The delivery within Budget in respect of Adults / Children's Services, Terms and Conditions and the risk of others not fully delivering in 2016/17.	3.9
Total risks / pressures	13.0

3.71 As the assessment gives an indication that the risks / pressures are likely to materialise action needs to be taken to ensure the Budget is deliverable. To establish the Revenue Budget Contingency sums have been identified. The Transformation Fund will be used to meet any late changes.

Table 11 : Creation of the Revenue Budget Contingency

Creation of Revenue Contingency 2016/17	£m
From surplus of savings (see 3.9)	1.9
From General Fund Balances (see 3.63)	3.0
From release of Reserves (see 3.65)	6.5
From Transformation Fund (balance)	1.6
Total	13.0

CAPITAL AND INVESTMENTS

3.72 The Capital Programme and Financing report on this agenda details the process followed in order to determine the Programme. Revised and new

submissions for inclusion in the Programme were assessed having regard to the regular re-profiling reported to Cabinet so attention was paid to the planned phasing of spend for the new submissions. The report concludes that the Programme can be accommodated from existing borrowing and the present, and projected, capital receipts. The revenue implications from the programme are included within the Revenue Budget.

- 3.73 As in previous years the Treasury Management Monitoring report has highlighted the low returns from investments given the current economic position. Therefore the Council has sought to use internal borrowing in lieu of external borrowing which in the short-term realises financial benefits. Whilst this further reduces the income from investments it does realise greater savings in respect of reduced borrowing costs.
- 3.74 The realisation, and use, of significant capital receipts during 2016/17 will enable the Programme to be funded from a combination of grants, capital receipts and internal borrowing thereby avoiding the need for external borrowing and achieving the £1.9 million Capital Financing efficiency savings for 2016/17.
- 3.75 The Government also announced flexibilities over the use of Capital Receipts received after the 1 April 2016 for a period of three years as they can be used to support revenue spending in the area of transformation. This approach has to be agreed by Council and provides a further resource to supplement the Council's Transformation Reserve. The restrictions regarding using capital to fund general revenue spending remain.

ROBUSTNESS OF THE ESTIMATES

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

SETTING THE COUNCIL TAX LEVELS

- 3.78 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council has to calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2016/17 is not excessive meaning that a Referendum is not necessary.

- 3.79 The Statutory Calculations are to form part of the Cabinet recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2016/17 with that for 2015/16 for the Council's basic amount of Council Tax. The Local Finance Settlement 2016/17 sets the Referendum 'trigger' at 3.99% for Adult Social Care authorities with 2% being for Adult Social Care.
- 3.80 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2016/17.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Budget projections for 2016/17 as set out in Table 1 updated to reflect the implementation of the Revenue Budget Contingency show that a balanced, and deliverable, Budget can be set. This includes the 3.99% increase in Wirral Council Tax which includes 2% for Adult Social Care.

Table 12: Changes to Budget Proposals and Budget Gap

Projected updated Budget Gap	£m	£m
Original Budget Gap		24
Add : Further reductions in the Grants (see 3.10)		+4
Updated Budget Gap		28
Less : Additional Resources savings (see 3.11)		-3
Updated Budget Gap		25
Less: Proposed Savings		27
Revised Budget Position is a 'surplus'		-2
Less : Allocated to Budget Contingency		2
Balance Available		0

- 4.2 Looking at future years the Budget Gap will be addressed by a combination of additional income and savings / efficiencies. Regeneration activities and the release of surplus assets for housing and businesses will be used to potentially increase Business Rates income and Council Tax income respectively. This will be addressed as part of the work to develop the Wirral Plan 2020/ 21 to be considered by Cabinet / Council in July 2016.
- 4.3 The level of General Fund Balances is projected to be in the order of the £11.5 million minimum required for 2016/17.

5.0 LEGAL IMPLICATIONS

- 5.1 The Council is required to agree a Budget for 2016/17 by 10 March 2016. The Chief Financial Officer is required under Section 25 of the Local

Government Act 2003 to produce a report on the robustness of the estimates made for the Council's Budget.

- 5.2 The duty of the Council to avoid a budget shortfall and is not just an academic exercise in balancing the books. The Chief Financial Officer of a local authority has a personal duty under Local Government Finance Act 1988 section 114A to make a report to the Executive if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 5.3 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992, as amended by the Localism Act 2011 and the decision of the Secretary of State in relation to the determination of excessive Council Tax rises.
- 5.4 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires that a recorded vote, detailing the names of all Councillors voting and how they voted, be taken in respect of all votes involved in setting the Budget and Council Tax levels.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Investment into ICT continues and the future years will see the development and implementation of a Digital Strategy. In respect of assets the Council is reducing the number of buildings it has in order to reduce running costs and also generate capital receipts from the disposal of surplus assets which are used to fund capital investment. Those proposals that include implications for staff form part of the engagement and consultation with Trade Unions and employees.

7.0 RELEVANT RISKS

- 7.1 The financial position for 2016/21 is based on forecast amounts which are outside of Council control such as Government funding and the levies from other bodies as well as reflecting changing demand for services. A key risk is that any of these assumptions can change which is increasingly the case when projections are made over the medium term. This is mitigated by keeping the MTFs under, at least, an annual review.
- 7.2 Under the system of retained Business Rates Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to the safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the authority. These risks can be mitigated through a combination of the operation of the Collection Fund, General Fund Balances and a Business Rates Reserve.
- 7.3 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The approach adopted is

to determine the level of General Fund balances as part of setting the Annual Budget. It is based on local circumstances having regard to an assessment of risk. Both Grant Thornton (the Council's External Auditor) and CIPFA (the professional body) have issued guidance which supports the approach.

- 7.4 The scale of the financial challenge and the Council's ambitious response to enable it to deliver the very best outcomes from increasingly limited resources inevitably carries risk. To mitigate the risks associated with the delivery of the transformation required, which includes the identification and progression of Alternative Delivery Models, a transformation Programme is being developed. Funding for implementing the change exists in the Remodelling Reserve / Transformation Fund.
- 7.5 There is a risk that agreed changes will not be delivered or that increasing pressures will be faced by services, particularly those that are demand le services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2016/17 will include a Revenue Budget Contingency to meet the identified risks and there is also the General Fund Balances.
- 7.6 At the time of writing this report a number of the savings options are subject to the conclusion of engagement / consultation with residents and other stakeholders. The Revenue Budget Contingency / General Fund Balances would meet any slippage or changes in the delivery of the proposals.
- 7.7 The Robustness Statement required under Section 25 of the LGA gives an assurance regarding the deliverability and sustainability of the Estimates as well as the adequacy of the level of reserves and balances.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Following Cabinet on 17 December 2015 an appropriate, robust and meaningful consultation on the Budget proposals presented to that meeting commenced. This ran from 18 December 2015 to 29 January 2016 and a report on the Outcomes of the Consultation is on this Cabinet agenda.
- 8.2 The Council also worked with staff and Trade Unions to ensure obligations in relation to statutory, staff consultation is delivered appropriately and within agreed guidelines.
- 8.3 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

9.0 EQUALITIES IMPLICATIONS

- 9.1 When taking Budget decisions the individual decisions may have Equality Implications. As referred to in the Budget Consultation Findings Report Equality Impact Assessments relating to each Budget proposal have been

developed. These will be re-assessed as the options progress and updated where appropriate.

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APPENDICES

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

REFERENCE MATERIAL

Council Budget 2015/16 agreed by Council on 25 February 2015.
Autumn Statement issued by HM Treasury on 3 December 2015.
Provisional Local Government Finance Settlement 2016/17 issued by the Department for Communities and Local Government – 18 December 2015.
Final Local Government Finance Settlement 2016/17 issued by the Department for Communities and Local Government – 8 February 2016.
Section 25 - Local Government Act 2003.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Revenue Budget 2015/16 and Council Tax Levels 2015/16	10 February 2015
Council – Wirral Plan	13 July 2015
Cabinet - Budget Council Arrangements	5 November 2015
Cabinet – Council Budget 2016/17 and Medium term Financial Strategy	17 December 2015

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SAVINGS 2016/17

SUMMARY BY CATEGORY		2016/17 £000
Total Proposals Cabinet (17 December 2015)		
Income & Resources	17,912	
Managing Demand	2,100	
Delivering Differently	2,161	
Service Changes	4,677	26,850
Previously Agreed Savings		3,120
Additional Savings Identified		3,100
TOTAL		33,070

SUMMARY BY DIRECTORATE		2016/17 £000
FAMILIES AND WELLBEING		5,681
REGENERATION AND ENVIRONMENT		7,835
TRANSFORMATION AND RESOURCES		4,661
CORPORATE / EFFICIENCIES		14,893
TOTAL		33,070

Directorate	Previously Agreed Savings	2016/17 £000	2016/17 £000
FAMILIES AND WELLBEING	Working Together with Schools	220	
	Transport Policies	460	
	Family, Parenting and Youth Commissioning	100	
	Shared Services and Integration	1,200	1,980
REGENERATION AND ENVIRONMENT	Commemorations, Registrations and Memorials	100	
	Street lighting LED conversion	390	
	Schools Ground Maintenance	45	
	Street works Permits	100	
	Parking Enforcement Contract	60	
	Waste Contract Changes	300	995
TRANSFORMATION AND RESOURCES	Reducing the Cost of Democracy	25	
	Telecommunications and printing	120	145
	Pre Agreed Savings Total	3,120	3,120

Directorate	Additional Savings Identified	2016/17 £000	2016/17 £000
CORPORATE / EFFICIENCIES	National Insurance Review	1,500	
	Council Tax Adult Social Care Precept	100	
	Council Tax General Increase	100	1,700
REGENERATION AND ENVIRONMENT	Further reduction in Transport levy	1,400	1,400
	Additional Savings Identified	3,100	3,100

Directorate	Income & Resource Management	2016/17 £000	2016/17 £000
CORPORATE / EFFICIENCIES	Council Tax 1.99% Increase	2,200	
	Council Tax 2% Adult Social Care Precept	2,200	
	New Homes Bonus	600	
	Council Tax base changes	1,093	
	Pay Assumptions	1,000	
	Pay Rise limited to 1%	700	
	National Insurance Review	2,000	
	Pension Strain Fall out	1,000	10,793
	REGENERATION AND ENVIRONMENT	Planning Fee income	50
	Home Adaptation fee income	85	
	Selective Licensing Income	20	
	Garden Waste Service Fee increase	196	
	Use of Waste Funds	1,000	
	Reducing cost of Levies	1,408	
	Business Grants	300	
	Removal of revenue fund to capital R&E	260	
	Transitional Fund - no repayment to Fund	250	
	Community Fund (one-off for 2016/17)	750	4,319
TRANSFORMATION AND RESOURCES	Procurement Contract rebate	350	
	IT Maintenance	300	
	Treasury Management Saving	1,600	
	Minimum Revenue Provision	450	
	War Widow underspend	100	2,800
	Income & Resource Management Total	17,912	17,912

Directorate	Managing Demand	2016/17 £000	2016/17 £000
FAMILIES AND WELLBEING	CYP Inflation Demand Management	200	
	CYP Demographic Demand Management	400	
	ASS Inflation Demand Management	900	
	ASS Demographic Demand Management (excluding specific options below)	1,205	
	Girtrell Court	155	
	Single Safeguarding Board with LCR Footprint	40	
	Self Assessment	500	
	Delayed implementation of Extra Care Housing	1,300	2,100
	Managing Demand Total	2,100	2,100

Directorate	Delivering Differently	2016/17 £000	2016/17 £000
FAMILIES AND WELLBEING	Beechwood Leisure Centre	73	
	Leisure Services including concessions	500	
	Municipal Golf Courses	68	641
REGENERATION AND ENVIRONMENT	Parks & Open Spaces Transformation Project	180	
	Pest Control	30	210
TRANSFORMATION AND RESOURCES	Estate Management / Buildings	365	
	ICT	241	
	Communications	111	
	Occupational Health Budgets	23	
	ASB Provision	165	
	Community Patrol	150	
	Dog Fouling Enforcement	52	
	Libraries	203	1,310
	Delivering Differently Total	2,161	2,161

Directorate	Service Changes	2016/17 £000	2016/17 £000
CORPORATE / EFFICIENCIES	Unpaid Leave	1,200	
	Car Allowances	600	
	Enhancements	600	2,400
FAMILIES AND WELLBEING	Child And Adolescent Health	100	
	Education Social Welfare Service	60	
	Public Health	800	960
REGENERATION AND ENVIRONMENT	Grit Bins	30	
	Highways Maintenance	200	
	Road Safety	90	
	Supported Housing Contracts	500	
	Homeless Prevention	50	
	Strategic Housing Services	41	911
TRANSFORMATION AND RESOURCES	Closure of Welfare Rights Unit	106	
	Discretionary Housing Payments	300	406
	Service Changes Total	4,677	4,677

GROWTH SUBMISSIONS 2016/17

DIRECTORATE	DESCRIPTION	2016/17 Estimate £000	2016/17 Required £000
	DEMOGRAPHIC GROWTH		
Families Children's	Increase in Special Guardianship and Adoption numbers	410	0
Families Adults	Increase in Demand (Young Adults with Learning Disabilities)	934	0
Families Adults	Increased demand Older People	937	0
Families Adults	Extra Care Housing	0	1,300
	Demographic Growth	2,281	1,300
	OTHER GROWTH		
Families	Social Workers – new pay structure	200	200
Regeneration	United Utilities Standing Water Charges	92	0
Regeneration	Biffa Property Uplift	15	0
Regeneration	Housing Standards and Renewal (from Community Fund)	350	0
Regeneration	Housing Options/Homeless Prevention Team (from Community Fund)	400	0
Transformation	Elapsing of unpaid leave 3 year savings option	1,400	200
	Other Growth	2,457	400

DIRECTORATE	DESCRIPTION	2016/17 Estimate £000	2016/17 Required £000
	INFLATION		
Families Children's	Increasing Fostering & Adoption Allowances	200	0
Families Children's	PFI Affordability Gap	150	150
Families Children's	Teacher Retirement Costs	60	60
Families Children's	Transport Contracts	70	70
Families Adults	Contract inflation	852	0
Regeneration	Contract for Parking Enforcement Services	15	0
Regeneration	Biffa Contract Inflation	348	244
	Inflation	1,695	524
	UNALLOCATED AND HELD CENTRALLY		
Corporate	Levies	900	0
Corporate	Pension Deficit	400	400
Corporate	National Insurance Rate Change	3,500	2,000
Corporate	Pay Inflation	3,000	1,300
Corporate	Education Services Grant	500	500
Corporate	Council Contribution to Public Health	1,997	2,271
	TOTAL UNALLOCATED GROWTH	10,297	6,471
	GROWTH FUNDED BY RESERVES		
Regeneration	Removal of charges for grey bins(two year period)	90	90
Regeneration	Reduction of charges for green bins	40	40
Regeneration	Bin Repair Service	23	23
Regeneration	Increase capture rates recycling	150	150
Regeneration	Additional Dog Wardens	88	88
Regeneration	Neighbourhood Recycling Officers	85	85
	FUNDING FROM RESERVES	-476	-476
	TOTAL GROWTH	16,730	8,695

FEES AND CHARGES

1.0 SUMMARY

- 1.1 In accordance with best practice, fees and charges 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 INFORMATION

REVIEW OF CHARGES FOR 2016/17

- 2.1 Directorates have examined their fees and charges for the 2016/17 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.
- 2.2 Many of the proposed fees and charges for 2016/17 are unchanged from 2015/16. Changes resulting from new legislation or from savings agreed by the Council have been included in the Directory. Some have to be finalised and will be confirmed prior to publication of the Directory before 1 April 2016.
- 2.3 Following the establishment of Edsential and Wirral Evolutions, their services have been transferred from Council control. The charges for these services have been removed from the Directory as they are no longer set by the Council, including charges for school meals, meals on wheels, music teaching, services at Oaklands outdoor centre and services provided at Acre Lane.
- 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 Acting Section 151 Officer, for reviewing annually the levels of fees and charges relating to services under their control.
- 2.5 For 2016/17, no general inflationary increase has been applied. This reflects the difficulties the Council has faced in achieving income targets in previous years. Whilst adjustments were made to budgets in previous years the ongoing economic situation meant that a general increase would potentially result in further unachievable budgets.
- 2.6 The effect of proposed increases to the levels of fees for Planning, Home Adaptations and Selective Licencing has been included as part of the Savings proposals for Regeneration and Environment in Appendix 1. Increases to the Garden Waste collection subscription are currently subject to consultation. The effects of other increases in charges have not been calculated or anticipated in preparing the 2016/17 budget.

- 2.7 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.
- 2.8 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 as separate schedules.
- 2.9 The largest source of income is from Adult Social Care charges which are presently being consulted upon as part of the Budget 2016/17. Once confirmed they will be incorporated into the Council fees and Charges Schedule. The largest range of charges encompasses leisure and cultural service activities; these are subject to a general review of these services.
- 2.10 To enable changes to be implemented as soon as possible to maximise income generation Members are asked to give delegated authority to the agree to delegated authority to the Portfolio Holder in consultation with the relevant Director and Acting Section 151 Officer to vary existing fees and charges. Past practice has been for fees and charges to be proposed by officers and approved by Cabinet and by Council on an annual basis in the budget setting report in February. In-year changes to fees and charges have been exceptional and separately reported to Cabinet.

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

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

4.0 RELEVANT RISKS

- 4.1 Whilst budgets for income from fees and charges are set with regard to whether they are statutory or discretionary, the achievement of 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 are amended where required to reflect what is deemed unachievable.

5.0 EQUALITY IMPLICATIONS

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

6.0 RECOMMENDATIONS

- 6.1 That the Directory be noted and Delegated Authority be given to the Acting Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2016.
- 6.2 To agree to delegated authority to the Portfolio Holder in consultation with the relevant Director and Acting Section 151 Officer to vary existing fees and charges.

LEVEL OF GENERAL FUND BALANCES

1.0 EXECUTIVE SUMMARY

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

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

2.1 Sound financial management principles require that sufficient funds are retained by the Council to provide a stable financial base at all times. To retain this stable financial base the Council needs to maintain a General Fund balance that is sufficient to provide a financial reserve for unanticipated expenditure and/or expenditure that is of an unforeseen, emergency nature.

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

LOCALLY DETERMINED LEVEL OF GENERAL FUND BALANCES

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

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

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

- 2.5 CIPFA guidance issued in summer 2014 states that in order to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.
- 2.6 CIPFA state that the financial risks should be assessed in the context of the Council's overall approach to risk management. In its paper "Local Authority Reserves and Balances" the following factors are relevant to determining the level of balances.
- The treatment of inflation and interest rates.
 - Estimates of the level and timing of capital receipts.
 - The treatment of demand led pressures.
 - The treatment of planned efficiency savings/productivity gains.
 - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.
 - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
 - The general financial climate to which the authority is subject.
- 2.7 In determining the appropriate level of balances the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council takes into account of the main risks and uncertainties including:-
- Legislative changes
 - Inflation and Interest Rates
 - Grants
 - Volume and Demand Changes
 - Budget Savings
 - Insurance and Claims
- 2.8 This has been Wirral Councils approach since November 2012 and is reviewed inline with CIPFA guidance. A consideration of the risks and the financial circumstances faced by Wirral for 2016-17 has been made. The risk factors used on the Councils assessment are similar to those recommended by CIPFA guidance. It proposes a minimum level which the Council must work towards funding and updates the previous assessment of February 2015.

FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION

- 2.9 The Revenue Monitoring throughout 2015/16 has shown that the Council has been overspending in specific areas. Work continues to balance the outturn for this financial year so that it is delivered within the resources available. At December 2015 (Month 9) the projected overspend was £0.1 million. The process for the 2016/17 Budget has been enhanced with work undertaken on a risk assessment of all savings.
- 2.10 Based upon the approach set out above and having regard to both the current financial position and the Budget for 2016/17 and beyond the calculation has been updated and is detailed in the Annex.

SUMMARY OF THE ASSESSED GENERAL FUND BALANCES

	2015/16	2016/17
	£m	£m
Assessed level February 2014	15.4	13.9
Assessed level February 2015	17.4	17.3
Assessed level February 2016	17.4	11.5

- 2.11 The February 2016 assessment for 2016/17 is a reduction on the amount that previously projected for February 2015. With the implementation of a specific Revenue Contingency budget for high risk areas, there is a reduction in overall risks for the General Fund. This also includes revisions to the risks in relation to capital receipts, the Better Care Fund and new delivery models that the Council is moving towards.
- 2.12 The 2015/16 General Fund balance risk calculation is for a minimum of £11.5 million at 31 March 2016. The latest Monitoring Report (December 2015 - Month 9) shows:-

SUMMARY OF THE PROJECTED GENERAL FUND BALANCES

Details		£m
Balance 31 March 2015 when setting the Budget 2015/16		+17.4
Add; Increase following closure of 2014/15 Accounts		+1.4
Less Transfer to General Fund		-4.2
Less: Potential overspend at December 2015		-0.1
Projected balance 31 March 2016		+14.5

- 2.13 Based upon the target for 31 March 2016 the current projections show the Council will be able to release £3 million from General Fund balances. This will be used to support the Revenue Budget Contingency.

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 an assessment of risk against a series of key areas which takes into consideration the specific issues as they affect Wirral.
- 3.3 Setting General Fund balances to a % of the net budget or at a level of balances based on the level of regular Council expenditure and income eg two months of regular expenditure and income do not assess the specific circumstances that the Council faces.

4.0 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

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

5.0 RECOMMENDATIONS

- 5.1 The level of General Fund balances recommended continues to be based on a locally determined approach to the assessment of the financial risks that the Council may face in the future.
- 5.2 The Council maintains its level of balances at, or above, the locally determined level of General Fund balances.

ASSESSMENT OF GENERAL FUND BALANCES 2016/17

Area of Risk	2016/17		
	Budget £000's	Risk Level	Value £000's
Legislative Changes			
Total Formula Grant / Localised Business Rates			
Local Business Rates Income	33,276	4.00%	1,331.0
Council Tax Benefit	23,800	2.00%	476.0
Health & Social Care Act			
Bail in Arrangements	1,000	9.00%	90.0
Waste Levy - 50% recycling by 2020	0	3.00%	0.0
Single Status	3,000	3.00%	90.0
	61,076		1,987.0
Inflation			
Employees	121,286	0.10%	121.3
Premises	15,208	0.75%	114.1
Transport	6,631	1.00%	66.3
Supplies	123,881	1.00%	1,238.8
Services	122,501	0.50%	612.5
Transfer	143,656	0.00%	0.0
	533,163		2,153.0
Interest Rates			
Borrowing	12,644	0.00%	0.0
Investment	875	0.00%	0.0
	13,519		0.0
Grants and Partnerships			
Housing Benefits incl Admin Grant	140,727	0.50%	703.6
Other General Fund Grants	60,286	1.00%	602.9
Better Care Fund	30,000	1.00%	300.0
Alternative Delivery operation	0	0.00%	500.0
	231,013		2,106.5
Volume / Demand Changes			
Capital Receipts/Programme	10,000	6.00%	600.0
Customer and Client Receipts	49,018	1.00%	490.2
Demand Led Budgets (Social Care)	92,000	3.00%	2,760.0
Collection Fund	117,973	0.25%	294.9
Winter Pressures	400	50.00%	200.0
	269,391		4,345.1
Budget Savings			
Budget Reductions	0	0.00%	0.0
Insurance/Public Liability Third Party Claims			
MMI Liabilities	498	5.00%	24.9
Legal Liabilities	9,723	2.00%	194.5
Self Insured Liabilities	2,977	2.00%	59.5
	13,198		278.9
Energy Security and Resilience			
Infrastructure failure	3,000	20.00%	600.0
Carbon Tax Legislation	400	20.00%	80.0
TOTAL			11,550.6

RESERVES

1.0 EXECUTIVE SUMMARY

1.1 This is the mid-year review of the amounts held in reserves. It recommends the release of those reserves which are no longer required and for them to be added to the Revenue Contingency Budget.

2.0 BACKGROUND AND KEY ISSUES

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

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

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

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

RESERVES

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

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc
TRANSFORMATION Support the development and transformation of the Council which includes the investment to deliver future savings and one-off workforce reduction costs
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services
SUPPORT SERVICE ACTIVITIES AND PROJECTS

Includes Government Grant funded schemes when the grant is received and spend incurred in the following year such as Public Health, Supporting People and Troubled Families and were the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements

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

3.0 RELEVANT RISKS

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

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

4.1 The setting and justification of provisions and reserves is a key element of the Councils financial process. At the start of 2015/16 the Council held over £87.4 million in earmarked reserves, prior to any release or use of reserves.

4.2 With available reserves transferred to revenue contingency there will be no sums returned to General Fund balances.

5.0 RECOMMENDATIONS

5.1 That the release of £6.5 million of Reserves by Directorates be agreed.

5.2 That all released Reserves be used to fund the Revenue Budget Contingency in 2016/17.

REVIEW OF RESERVES AS AT JANUARY 2016

Summary of Reserves

Reserve Category	Directorate	2015/16 Balance	Predicted Use	Amount to be released
Insurance & Taxation	Transformation & Resources	-25,019,766	-24,019,766	-1,000,000
Transformation	Transformation & Resources	-15,650,608	-13,861,583	-1,789,025
Schools	Families & Well Being - CYP	-15,476,427	-15,476,427	0
Support	Families & Well Being - CYP	-4,024,608	-4,024,608	0
	Families & Well Being - DASS	-330,971	-330,971	0
	Families & Well Being - Sports & Rec	-311,649	-311,649	0
	Regeneration & Environment	-13,928,405	-11,067,284	-2,830,790
	Transformation & Resources	-12,893,187	-12,016,393	-876,794
Support total		-31,488,820	-27,750,905	-3,707,583
Total		-87,635,621	-81,108,682	-6,496,609

Reserves to be Released

Reserve Category	Directorate	Brief Description and summary code	2015/16 Balance	Predicted Use	Amount to be released	Comments on released reserves
Insurance & Tax	Transformation & Resources	FR110- Business Rates Appeals	-1,000,000		-1,000,000	Surplus to requirements
Insurance & Tax			-8,880,211	-7,580,211	-1,000,000	
Transformation	Transformation & Resources	FR027 - Efficiency Investment Fund	-1,789,025		-1,789,025	Surplus to requirements
Transformation Total			-1,789,025	0	-1,789,025	

Reserve Category	Directorate	Brief Description and summary code	2014/15 Balance	Predicted Use	Amount to be released	Comments on released reserves
Support	Regeneration & Environment	CR026 - Seaside Town Strategy	-20,891		-20,891	Not used since 2012-13
		CR058 - BIG Capital Grants	-327,844		-327,844	Capital funded if required.
		CR064 - Trading Stnd Modern Apprentices	-35,130		-35,130	Surplus to requirements
		CR065 - Licensing Legal Costs	-25,000		-25,000	Surplus to requirements
		CR067 - Trading Standards	-113,762	-60,000	-53,762	Surplus to requirements
		R5000 - Supporting People Grant Admin	-109,033		-109,033	Not used in 3 years
		R5002 - Supporting People Programme	-795,704		-795,704	Contingency held in balances.
		R8004 - Taxi Demand Survey	-80,495	-40,000	-40,495	Surplus to requirements
		R8007 - New Homes Bonus	-265,320		-265,320	Capital funded if required.
		R8041 - Wirral H I A	-495,269	-295,269	-200,000	Surplus to requirements
		R8074 - Homeless Prevention	-271,064		-271,064	Not used in 3 years
		R8075 - Cosyhomes Insulation	-179,785	-79,785	-100,000	Fuel Poverty Programme kept
		T1106 - Insurance Contrib - Highway Safety	-54,582	-32,746	-21,836	Surplus to requirements
		TP003 - Wheelie Bin Replacement	-31,542		-31,542	Surplus to requirements
		TP023 - Street Cleansing - You Decide	-2,175		-2,175	Small Value
		TP031 - Realise Further Waste Efficiencies	-500,000		-500,000	From Waste Development Fund
		TS068 - Hiways Write Off Fund	-15,994		-15,994	Met through bad debt provision
		LR417 - A/MGMT - Allotments Officer	-15,000		-15,000	Surplus to requirements
	Transformation & Resources	CR011 - Local Pay Review	-296,110		-296,110	Covered in General Fund Balances
		FR025 - Schools Broadband	-76,500		-76,500	Surplus to requirements
		FR108 - Schools Service IT Reserve	-294,181		-294,181	Surplus to requirements

		TP008 - Vehicle Purchase	-23,587		-23,587	Could be capitalised if needed
		CR047 - The Open 2014	-37,835		-37,835	Surplus to requirements
		CR048 - Wirral MCO Strategic Leadership	-4,842		-4,842	Small Value
		CR069 - Community Patrol	-100,000		-100,000	CCTV Network funded by Capital
		R8012 - Wirral Executive	-9,920		-9,920	Small Value
		ER758 - ASB Reserve	-33,818		-33,818	Case Management System by Capital
Support Total			-4,245,716	-507,800	-3,707,584	

CHIEF FINANCIAL OFFICER STATEMENT

SUMMARY

Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently Acting Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves. Section 25 also requires Members to have regard to this report in making their decisions.

BACKGROUND

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

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

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

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

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

- The issuing of guidance on preparing budget growth and savings options for the period 2016/17.
- Peer review by finance staff involved in preparing the base budget and supporting information.
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure.
- Existing and future expenditure pressures are identified by reference to financial monitoring reports for 2015/16.
- Reviews by the Senior Leadership Team of proposed savings and their achievability.
- Identification of financial risks.
- The Section 151 Officer provided advice throughout the process on robustness, resources and demand.
- Consultation with the public and various groups including the voluntary sector and community and faith groups.

- Reliance on Managers 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.
- Ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both.

RELEVANT RISKS

A formal Risk Review of the Revenue Budget is undertaken to reflect local circumstances and from this it is proposed that Balances be set at a level appropriate to the identified risks. This is a separate section in this report and Appendix 4 details the risk assessment on General Fund balances.

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 2016/17 financial year.

ROBUSTNESS OF THE REVENUE ESTIMATES

The 2016/17 budget built on the process followed in 2015/16 including a robust process to identify, review and assess both growth and savings proposals. This saw the production of proposals which were subject to public consultation and review by Elected Members.

Cabinet agreed proposals in December 2015 to assist in the production of a balanced Revenue Budget for 2016/17 under the headings of:

- Income and Resource Management
- Managing Demand
- Delivering Differently
- Service Changes

These now have to be formally concluded with the setting of Council Tax levels for 2016/17.

In assessing the robustness of Revenue Budgets it is expected that the key risks remaining will be:

- The actual delivery of the approved savings and efficiencies.
- Changes to employees' costs.
- The ongoing impact of increasing demand for services, particularly within care services, and reducing grant funding which has been outlined in Government announcements up to 2019/20.
- The confirmation of Government grants, of which a number remain currently unknown.

- Changes to the Capital Programme, to achieve the policy objective of eliminating Prudential Borrowing and associated revenue costs.
- The possibility of legal challenge including judicial review.
- On-going review of the risks relating to Council Tax and Business Rates collection levels and appeals.

These assumptions and changing circumstances require forecasts for future years to be reviewed early in each financial year. This leads to the identification of options for consultation and to more detailed budgets being prepared for the next financial year, and for the medium term, during the autumn.

In order to mitigate the financial risks associated with the implementation of savings and to improve the robustness of the estimates, a Savings Risk and Pressures contingency is to be created drawn from General Fund balances and the release of Earmarked reserves.

In previous years an amount has been held in General Fund balances to cover the potential risk of the failure of savings plans. The Savings Risk and Pressures contingency will in future be held separately and specifically to cover these risks.

ROBUSTNESS OF THE CAPITAL PROGRAMME

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

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

The main risks of the Capital Programme are:-

- The ability to deliver the Programme within the agreed timescales. The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2016/17 Programme.
- The future Programme includes new starts based on the availability of resources. There is a number of significant asset disposals planned over the next 1-3 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 of 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

The recommended approach to determining the level of General Fund balances and reserves follows the guidance issued by Grant Thornton (the Council's External Auditor) and CIPFA (the professional organisation responsible for the Accounting Code). The Level Of General Fund Balances for 2016/17 is referred to in the main report.

RESOURCE IMPLICATIONS

In the Council Budget 2016/17 and Medium Term Financial Strategy report to Cabinet on 17 December 2015 the Budget Projection 2016/17 indicated a shortfall between spend and resources of £24 million and a projected budget funding gap for the period 2016/21 of £126 million.

Table 1: Summary of the Budget Funding Gap

Funding Gap	2016/17
	£m
Forecast Expenditure (including demographic changes)	272
Forecast income (including reduced grants)	248
Forecast Funding Gap	24

Cabinet considered savings options totalling £26.9 million for 2016/17 on 17 December 2015. This met the Forecast Funding Gap for 2016/17. These included a Council Tax increase of 1.99% and the 2% Adult Social Care Precept costs which were subject to further consideration by Cabinet once the final Local Government Finance Settlement was received.

Since the December Cabinet meeting new information has been received about the Settlement 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.

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COUNCILLOR PHIL DAVIES

**CABINET
22 FEBRUARY 2016**

**CAPITAL PROGRAMME AND FINANCING
2016/19**

Councillor Phil Davies said:

“Our capital programme will deliver hugely important developments for Wirral; from the replacement of the Dock Bridges, further flood protection for our residents and yet more improvements to the leisure services our residents can access.

“Even in the difficult financial situation we are once again in, I believe these developments will bring great benefits to Wirral and I am pleased to present this report to Cabinet.”

REPORT SUMMARY

This report provides Cabinet with a draft Capital Programme for 2016/19 for consideration and referral to Council for approval. It also includes information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts.

The 2016/19 Capital Programme therefore represents a combination of:-

Schemes originally approved as part of the 2015/18 Programme and updated through the Capital Monitoring reports in 2015/16, the latest being the December monitoring reported to this Committee; and

New bids submitted for consideration at this meeting.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATION/S

1. That the new bids as detailed in Appendices 2 and 3 be approved.
2. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority that such grant(s) have actually been approved.
3. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangement.
4. That Cabinet recommend to Budget Council for approval the Capital Programme 2016/19 (as detailed in Appendix 4).

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The purpose of the Capital Programme is to enable the Council to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.
- 1.2 Links to the revenue budget ensure that revenue funding is provided to meet the financing costs, and any running costs, as a result of the Capital Programme investment.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 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 Assets and Capital Group as to timing and deliverability.

3.0 BACKGROUND INFORMATION

CAPITAL STRATEGY

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

ASSETS AND CAPITAL GROUP (ACG)

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

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

CAPITAL PROGRAMME

- 3.3 The Capital Programme details the schemes being undertaken over the medium term which help the Council achieve its objectives. It is aligned to Council plans and strategies, including the Wirral Council Plan: A 2020 Vision and Medium Term Financial Strategy. It is reviewed, updated and considered by Council each year as part of the annual budget setting process.
- 3.4 Government announcements may include grant support for specific themes but other investment is based upon affordability and there is limited scope for

unsupported capital expenditure as this adds to revenue costs. Greater reliance is now placed on available capital receipts generated from the disposal of surplus assets.

NEW SUBMISSIONS

- 3.5** As the Council has to manage demands for investment within the financial constraints there has to be a means to prioritise investment. Criteria have been developed to provide an initial assessment of any capital bids to ensure the Programme is either targeted to Council priority areas or fulfils statutory obligations. Individual bids are scrutinised by the ACG and form the basis for making recommendations to Cabinet as to which could be included in the Capital Programme.
- 3.6** All submissions were the subject of a Business Case submission. The ACG challenged the justification and deliverability (with the aim of reducing significant re-profiling of schemes and minimising the level of new borrowing required) prior to reviewing the individual scores against the prioritisation criteria.

2016/19 CAPITAL PROGRAMME

- 3.7** The 2016/19 Capital Programme therefore represents a combination of:-
- a) Schemes originally approved as part of the 2015/18 Programme and updated through the Capital Monitoring reports in 2015/16. These schemes have been reviewed to ensure they support the Wirral Plan: A 2020 Vision. The latest position as reported to this Committee (December monitoring) is as follows.

Table 1: Capital Programme (previous approvals and monitoring reports)

Analysis of the Capital Programme	2015/16	2016/17	2017/18
	£000	£000	£000
Capital Expenditure	46,197	43,595	15,615
Financing			
Unsupported borrowing	14,964	12,725	-
Capital receipts	8,621	13,339	2,414
Grants	22,760	16,527	13,135
Revenue/reserves	572	1,004	66
Total Financing	46,917	43,595	15,615

For noting – 2017/18 has been amended to include £3.624 million indicative Schools Basic Need and Condition grants.

- b) New bids for consideration at this meeting. The emphasis has been to ensure that these support the delivery of the Wirral Plan and its 20 Pledges. There are a number of bids that furthermore will support income generation and reduce present levels of subsidy which will help to meet the financial challenges ahead.
- c) Appendix 1 details the criteria against which schemes were scored, Appendix 2 the scoring for each scheme, Appendix 3 information regarding the purpose of those schemes and Appendix 4 provides cost and funding required from Council resources. For the purpose of the budget this is taken to mean funding from borrowing.

Table 2: New bids for inclusion in the Programme

New Bids by Directorate	2016/17	2017/18	2018/19
	£000	£000	£000
Transformation and Resources	1,891	340	-
Families & Wellbeing			
Children & Young People	-	-	-
Adult Social Services	615	-	1,000
Sport & Recreation	1,806	300	-
Regeneration & Environment			
Environment & Regulation	-	300	-
Housing & Investment	-100	800	470
Regeneration	300	300	300
Total	4,512	2,040	1,770

In forecasting a 3 year capital budget it is recognised that there are many variables and external and internal factors that will impact on future requirements. The programme will therefore be subject to regular review to enable current bids to be revised and new schemes to be added to the programme.

- 3.8 The proposed Capital Programme therefore combines Tables 1 and 2. The detail can be found in Appendix 5.

Table 3: Proposed Capital Programme 2016/19

	2016/17	2017/18	2018/19
	£000	£000	£000
Total Expenditure	48,107	17,655	1,770
Funded From			
Unsupported Borrowing	16,852	2,040	1,720
Capital Receipts	13,339	2,414	-
Grants	16,912	13,135	-
Revenue/Reserves	1,004	66	50
Total Funding	48,107	17,655	1,770

- 3.9** The capital programme may increase as future bids relating to the implementation of the Wirral Plan: A 2020 Vision may be forthcoming. These may arise as delivery plans are developed along with the Council's partners and will be reported as appropriate for inclusion in the programme.

CAPITAL RECEIPTS

- 3.10** Capital receipts generated from the sale of Council assets are becoming of increased importance in funding the Capital Programme. All external borrowing to fund the Programme incurs a cost so maximising the use of capital receipts reduces the impact on revenue.
- 3.11** In respect of progress on the major site disposals the Council has entered a 16 week exclusivity period with the purchasers of both Acre Lane and the Manor Drive site. The application to the Secretary of State for Education for the disposal and change of use of the former Rock Ferry High School has been submitted. With the major sites, the capital receipts will take the form of a series of phased payments to the Council which are likely to commence in 2016 and the receipts assumptions reflect the best estimate of these.
- 3.12** There are a number of caveats:

The DCLG in December 2015 published draft guidance as part of the Provisional Local Government Finance Settlement on the flexible use of capital receipts. The proposal would provide some additional flexibility to the current restricted use of capital receipts but only under certain circumstances. The key change being where use is forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net service expenditure.

This change could impact on the way it is determines that capital receipts will be used. Before any decision to switch this resource from capital to revenue is taken the following should be considered;

The impact on the capital programme. Are schemes that were originally planned to be funded from receipts abandoned, amended or are they funded from additional borrowing. In case of the latter the additional revenue borrowing costs must be compared to any efficiency savings and the impact on the various Prudential Indicators must be considered.

Receipts generated from the sale of school playing fields have to be used to fund capital schemes specifically targeted at school related activities or the development of leisure facilities unlike other receipts which are generic in nature;

Additional costs in preparing the sites for disposal may be incurred and these would need to be included in the Capital Programme and met from the available capital receipts;

The anticipated receipts are only estimates at this stage and depending on the timing of the actual receipt may well change.

- 3.13** Based on the current Programme and planned funding it is projected that there will be £1.9 million available at 31 March 2016. £13.3 million has provisionally been identified as funding for the 2016/17 Programme with a further £2.4 million for 2017/18. Should it prove necessary to fund any additional schemes from capital receipts, there may be some tolerance, especially in 2017/18. This will be re-assessed as further information becomes available in relation to any disposals, the future Programme and any commitments from any use under the potential new flexibility arrangements.

Table 4: Capital Receipts Projections

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Capital Receipts Reserve	8,300	2,079	3,740	11,826
In – Receipts Assumption	2,400	15,000	10,500	500
Out - Funding assumption	-8,621	-13,339	-2,414	-
Closing Balance	2,079	3,740	11,826	12,326

4.0 FINANCIAL IMPLICATIONS

- 4.1** The proposed 2016/19 Capital Programme is a combination of the currently approved Capital Programme, New Bids and Education grant funding. As the Programme stands this will require a maximum of £20.6 million unsupported borrowing from 2016/17 to 2018/19.

Table 5: Borrowing Requirement

	£000
Existing commitment	
Council funding for the original approved 2016/17 Programme	3,626
Borrowing for schemes re-profiled from 2015/16	9,099
Borrowing to finance new bids	
2016/17	4,127
2017/18	2,040
2018/19	1,720
Borrowing required 2016/17 to 2018/19	20,612

- 4.2** The revenue borrowing costs associated with the re-profiled schemes had already been included in the 2015/16 and subsequent revenue budgets and therefore do not represent an additional requirement.
- 4.3** The spend and funding of the Capital Programme are linked to the Treasury Management activity. The return on investment income continues to be low and the policy of temporary borrowing from positive internal cash flows has enabled us to delay taking out some long term borrowing. However, this will not be sustainable in the medium term. It has been reported in the Revenue

Monitoring Reports during 2015/16 that there is a net underspend from borrowing and investment of £2.5 million due to the continued use of internal borrowing from positive cash flows.

- 4.4** The cumulative revenue impact of additional borrowing required to fund new bids is:

	£000
2016/17	85
2017/18	451
2018/19	716
2019/20	887

From 2016/17 a permanent reduction £2.050 million in borrowing costs has been included in the revenue budget. The additional costs resulting from the proposed programme can be accommodated within the budget projections. The budget will also cover any costs associated with the probability that the process of internal borrowing will have to be reversed as and when reserves are utilised or when there are likely significant increases to interest rates.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1** Capital receipts are below the level estimated. Regular reporting to ACG on progress of asset disposals will allow the capital programme to be reviewed should this eventuality arise.
- 7.2** Interest rates increase to a level greater than budgeted for. Regular monitoring of economic forecasts should assist in determining the best time to borrow to fund the programme.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

There are none arising directly from this report as they will be identified as each scheme is progressed. Individual schemes within the Programme will

have a direct impact upon groups for example the Aids and Adaptations investment within Regeneration

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APPENDICES

Appendix 1 – Scoring mechanism for assessing capital bids.
Appendix 2 – Scoring Summary for new capital bids 2016/19.
Appendix 3 – Schemes recommended for inclusion.
Appendix 4 – Proposed Capital Programme 2016/17 to 2018/19.

REFERENCE MATERIAL

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

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Capital Programme 2015/18 Cabinet - Capital Monitoring 2015/16 - quarterly	10 February 2015 Various

APPENDIX 1

Scoring mechanism for assessing capital bids 2016/19 Capital Programme			
Scheme Title/Department	Score 1-10	Multiplier	Weighted Score
Direct links to the Council Plan 20:20 Vision Does the scheme directly link to any of the 20 pledges and/or enabling projects?	10	15	
Statutory or Regulatory Duty Is there a clearly identifiable requirement to meet statutory or regulatory obligations?	10	20	
Objectives and outputs Are the stated objectives specific, measurable, achievable and realistic? Have any outputs been quantified? Have any project constraints been assessed and full consideration given to addressing these? Will not doing the scheme result in a significant drop in the level of service the Council provides?	10 10 10 10	5 5 5 5	
Identification of Alternative Options Have alternative options been fully considered with detailed reasons for rejection evidenced?	10	5	
Finance Business case demonstrates achievable/realistic revenue savings OR generates additional income If yes score the % saving compared to capital outlay The scheme requires additional revenue resources over and above capital financing costs Does the scheme receive specific funding from external sources?	10 10 10 10	10 15 10 10	
Risk Have risks been properly identified and scored?	10	10	
Overall Weighted Score			xxxx

**Scoring Summary and Scheme estimates
New Capital Bids 2016-19**

Appendix 2

SCHEME	Comments	Total Score	Total Scheme Estimate £000
Housing renewal	Increase Council Tax income, extends current scheme.	840	1,110
Assistive technology support	Potential to reduce commissioned support costs	775	615
The Oval - fitness suite, studio and catering redevelopment	Income generation	750	986
Flaybrick cemetery structural repairs	Health and safety issue	725	175
Leasowe Leisure Centre football facility	Income generation	720	820
Leisure Centres soft play areas	Income generation	720	300
Extra Care housing	Extension of existing scheme/reduce demand pressures	690	1,000
Replace highways grass cutting machinery	Limited life, health and safety	690	300
Housing Infrastructure Fund	Increase in Council Tax, New Homes Bonus	630	1,000
Industrial estate improvements	Improve sustainability, may increase lettings	625	300
Transport Museum	Allows option for possible community asset transfer	615	261
Millennium Centre remodel library and ground floor	Wider community use, possible income increase	605	740
Replacement gritters/land rover	Safeguarding current service	600	105
Treasury building refurbishment	Invest to save/reduce running costs	600	650
Growth Fund	Supports inward investment	570	900
LED street lighting	Deferred until lighting column survey undertaken		
Arrowe Park depot improvements	Rejected - threshold for capital > £100,000		
Ashton Park depot improvements	Rejected - threshold for capital > £100,000		
Frankby cemetery depot improvements	Rejected - threshold for capital > £100,000		
Landican cemetery chapel improvements	To be funded from PPM		
Warren Farm depot improvements	To be funded from existing parks rationalisation		
	Total Capital Cost of New Bids		9,262

CAPITAL PROGRAMME 2016/19

SCHEMES RECOMMENDED FOR INCLUSION FOLLOWING EVALUATION

Project title and description
<p>Housing Renewal (Total cost of £1.11m of which Council funding £0.12m) To mitigate or remove serious hazards to vulnerable low income residents of 105 residential properties. To provide efficiency improvements to the heating systems of vulnerable low income residents of 185 residential properties. To bring back into productive use 250 long term strategically located empty residential properties. To complete the remaining acquisitions, demolitions and site assembly, originally started as part of the former HMRI.</p>
<p>Assistive Technology Support to Reduce Service Provision (Total cost of £0.315m of which Council funding £0.230) There is potential to reduce commissioned support costs through the roll out of alternative technologies which provide tangible alternatives to traditional support models (e.g. Domiciliary Care, Residential Care). The scheme should see a reduction in non-elective admissions; dependency on packages of care; cost per head for people with a learning disability aged 18 – 64 and support timely hospital discharges.</p>
<p>Fitness suite, studio and catering redevelopment at The Oval Leisure Centre (Total cost of £0.986m of which Council funding £0.986m) Projections indicate additional revenue rising to £152,000 per annum by 2020/21 via a significant increase in membership levels. Improved health and well-being for Wirral Communities – increase life expectancy, reduce obesity, improve disability access. Create modern appealing efficient facilities that meet the need of Wirral residents. The potential exists to lower the financial burden on the NHS and CCG by developing various initiatives within the facility.</p>
<p>Flaybrick Cemetery Structural Repairs (Total cost of £0.175m of which Council funding is a maximum of £0.175m) The site is on the National Heritage at Risk Register. It is necessary to consolidate and stabilise the surviving fabric of the Flaybrick chapels which currently present a danger to the public. The longer term vision is to make them accessible as a conserved ruin. Historic England has indicated that should the Council invest financially in undertaking these works, they would consider match funding of 50% which would reduce the above Council contribution.</p>
<p>Leasowe Leisure Centre Creation of Outdoor short sided 3G football facility & changing facilities (Total cost of £0.820m of which Council funding £0.820m) The Centre and the surrounding area is currently involved in promoting sport and physical activity to encourage children and youths to get involved in physical activity rather than antisocial behaviour. The scheme is essential to the continuing success of the centre's development and business plan. The new 5 a side pitches will encourage all age groups of any ability to enjoy exercise in a fun, yet controlled,</p>

sporting atmosphere.

Adaptions to rooms in Leisure sites to enable flexibility of design for soft play use (Total cost of £0.3m of which Council funding £0.3m)

A business opportunity exists to provide good quality and well supervised soft play facilities. In conjunction with partner organisations, this is seen as an ideal opportunity of introducing early year's children and their parents to enjoyable physical activity within a structured leisure environment. Encouraging early year's children to enjoy physical activity in a safe and secure environment has been proven to help confidence, co-ordination, social skills and learning ability.

Extra Care Housing (Total cost of £1.0m of which Council funding £1.0m)

The project is an extension of the current programme to develop extra care housing units in Wirral with Strategic Housing Delivery Partners to support people to live independently. It will contribute significantly to the shift required from residential and nursing care placements to community based living and will reduce the proportion of adult social care expenditure for people aged 65+ on residential / nursing care. From 2018/19 additional associated running costs are in the region of £0.5 million but continuing the existing method of provision would be more expensive.

Replace ride on Highway grass cutting machinery (Total cost of £0.3m of which Council funding £0.3m)

To replace 12 ride on mowers and various items of hand held equipment. Although we are monitoring Hand Arm Vibration the older the machinery gets the greater the risk to the operatives. With investment in new machinery risk levels to staff can be minimised together with the benefit of greater productivity.

Housing Infrastructure Fund (Total cost of £1.0m of which Council funding required £1.0m)

The aim is to remove blockages and kick-start stalled housing sites in the Borough as well as identifying new opportunities that can be brought forward with some support. The aim is to develop 100 new homes, contributing to the pledge to build 3,500 new homes and generating additional income from Council Tax and New Homes Bonus.

Industrial Estate Improvements (Total cost of £0.3m of which Council funding £0.3m)

Improve the sustainability of the rental income from the Council's industrial premises over 10 years by reducing tenant turnover and increasing the potential for letting. Maintain and improve occupancy rates of industrial units over 3 years. Improve the overall quality of the Council's industrial estates for Wirral's businesses by 2018 thereby ensuring assets are fit for business and business growth is supported.

Wirral Transport Museum (Total cost of £0.261m of which Council funding £0.261m)

Work required to comply with DDA/ H&S Regulations. Repairs/upgrading to the roof, entrance doors, windows, lighting, electrical, mechanical, drainage, staff, visitor and disabled toilets and external works. Other works are required to the ground floor to create a new entrance hall, reception area, shop, café and kitchen alongside improved museum display areas for the trams and buses and improved access to the first floor where the archives and meeting room are located. Upon completion, the building will be fit for purpose with the option of a possible community transfer.

Millennium Centre Remodelling of Library & Ground Floor (Total cost of £0.74m of which Council funding required £0.74m)

To meet the growing demand for community initiatives and localism, ensure that a library service is still provided within the area and to secure Leasowe Community Homes as an anchor tenant the following improvements are required – general access, reception facility, library area, the Employment and Training area, toilets and reconfigure café area to improve the level of service. The Centre will operate as a true community facility with a joined up working partnership of all the main agencies. By attracting residents from outside Leasowe additional income could be generated.

Replacement Gritters & Landrover Recovery Vehicle (Total cost of £0.105m of which Council funding £0.105m)

It is necessary to replace 2 old gritters that are costly to maintain and unreliable. 2 reconditioned vehicles will be purchased that will enable essential, efficient, cost effective gritting to be undertaken and reduce risk. The transport maintenance workshop breakdown recovery vehicle has reached the end of its life-cycle and a new vehicle is required to ensure a safe reliable and efficient response to breakdowns of any of the Transport fleet.

Treasury Building Refurbishment (Total cost of £0.65m of which Council funding required £0.65m)

This scheme is to demolish all of the single storey accommodation and refurbish the four storey block to provide modern fit for purpose accommodation. This continues the Council's office rationalisation programme.

The Growth Fund (Total cost of £0.90m of which Council funding £0.90m)

The Growth Fund (focusing on SMEs) will support existing and inward Investment businesses looking to grow and expand in Wirral. By way of loans the Fund will recycle investment and create a replenishing fund that no longer requires Council investment to sustain it. The programme will look to achieve/promote private sector funding for each scheme which comes forward totalling an overall investment of at least £2.1m in business support for the next 3 years. The aim is to create 20 jobs per year for the next 3 years.

PROPOSED CAPITAL PROGRAMME 2016/17 TO 2018/19

APPENDIX 4

	2016/17	2017/18	2018/19
SUMMARY	£000	£000	£000
Overall Programme	48,907	17,655	1,770
Unsupported borrowing	16,852	2,040	1,720
Capital Receipts	13,339	2,414	-
Grants	16,912	13,135	-
Revenue/reserves	1,004	66	50
Total Resources	48,107	17,655	1,770

	2016/17	2017/18	2018/19
Transformation and Resources	£000	£000	£000
Building refurbishment to increase occupancy	1,619	250	-
Cleveland St Transport Depot	2,800	-	-
Park depot rationalisation	750	-	-
Demolish Bebington Town Hall and Liscard Municipal	378	-	-
Demolish former Rock Ferry High	395	-	-
Demolish Foxfield	30	-	-
Flaybrick cemetery	175	-	-
Industrial estates	150	150	-
Millennium Centre remodelling	550	190	-
Treasury Building	650	-	-
Replacement vehicles (gritters/landrover)	105	-	-
Transport Museum	261	-	-
Total Programme	7,863	590	-
Unsupported borrowing	5,275	340	-
Capital Receipts	2,588	250	-
Total Resources	7,863	590	-

	2016/17	2017/18	2018/19
Families and Wellbeing - CYP	£000	£000	£000
School remodelling (Primary Places)	1,500	750	-
Condition/Modernisation	3,086	2,794	-
Basic Need allocation	1,414	830	-
Wirral Youth Zone	2,400	-	-
Family Support Scheme	100	-	-
Stanley Special classrooms and medical/hygiene provision	600	-	-
PFI	85	-	-
Total Programme	9,185	4,374	-
Unsupported borrowing	600	-	-
Capital Receipts	3,500	500	-
Grants	5,000	3,874	-
Revenue/reserves	85	-	-
Total Resources	9,185	4,374	-

	2016/17	2017/18	2018/19
Families and Wellbeing - DASS	£000	£000	£000
Community Intermediate Care Services	1,000	-	-
Pensby Wood day service remodelling/additional classrooms	1,200	-	-
Extra Care housing (including learning disabilities)	5,000	-	1,000
Assistive technology	615	-	-
Integrated I.T.	440	-	-
Girtrell Court	2,000	-	-
Total Programme	10,255	-	1,000
Unsupported borrowing	4,670	-	1,000
Capital Receipts	4,200	-	-
Grants	1,385	-	-
Total Resources	10,255	-	1,000

	2016/17	2017/18	2018/19
Families and Wellbeing – Sport and Recreation	£000	£000	£000
West Kirby Marine Lake – accommodation/service delivery	740	-	-
Bidston Tennis Centre re-roofing	325	-	-
The Oval redevelopment	986	-	-
Leasowe Leisure Centre outdoor 3G football	820	-	-
Leisure centres soft play areas	-	300	-
Total Programme	2,871	300	-
Unsupported borrowing	1,806	300	-
Capital Receipts	915	-	-
Grants	150	-	-
Total Resources	2,871	300	-
	2016/17	2017/18	2018/19
Environment & Regulation	£000	£000	£000
Highway Maintenance	3,060	2,938	-
Cemetery Extensions and Improvements	250	-	-
Coast Protection	228	-	-
West Kirby Flood Alleviation	1,950	-	-
Dock Bridges Replacement	2,530	4,310	-
East Float access improvements – Tower Rd.	200	-	-
East Float access improvements – Duke St.	400	-	-
Wirral International Business Park Connections	200	-	-
Preventative maintenance to unclassified /residential streets	500	500	-
Road safety	97	-	-
Active travel	78	-	-
Bridges	261	-	-
Transport for Growth	262	-	-
Replace highway grass cutting machinery	-	300	-
Total Programme	10,016	8,048	-

Environment & Regulation (continued)	2016/17 £000	2017/18 £000	2018/19 £000
Unsupported borrowing	914	300	-
Capital Receipts	1,705	560	-
Grants	7,247	7,188	-
Revenue/reserves	150	-	-
Total Resources	10,016	8,048	-
	2016/17 £000	2017/18 £000	2018/19 £000
Housing			
Aids, Adaptations and Disabled Facility Grants	4,308	2,573	-
Clearance	1,324	-	-
Home Improvement	434	-	-
Empty Property Interventions	178	-	-
Cluster of Empty Homes Fund	603	-	-
Housing renewal	470	470	470
Housing Infrastructure Fund		1,000	-
Total Programme	7,317	4,043	470
Resources			
Unsupported borrowing	2,987	800	420
Capital Receipts	431	1,104	-
Grants	3,130	2,073	-
Revenue/reserves	769	66	50
Total Resources	7,317	4,043	470

	2016/17	2017/18	2018/19
Regeneration	£000	£000	£000
Business Investment Grants	300	-	-
The Growth Fund	300	300	300
Total Programme	600	300	300
Unsupported borrowing	600	300	300
Total Resources	600	300	300



COUNCILLOR PHIL DAVIES

**CABINET
22 FEBRUARY 2016**

**MEDIUM TERM FINANCIAL STRATEGY 2016/17 –
2020/21**

Councillor Phil Davies said:

“Making sure the Council’s finances are managed in a robust and pragmatic manner for the medium term is of vital importance to this borough.

“This report provides Cabinet with a Medium Term Financial Strategy which manages our approach to finance for the next five years and – importantly – ensures our resources are targeted at those areas which are most important to residents, our 20 Pledges.”

REPORT SUMMARY

The Autumn Statement and Spending Review 2015 confirmed that the Councils funding will reduce into the medium term and that reductions to core funding will continue. This report presents the Medium Term Financial Strategy 2016/17-2020/21 based on what is an evolving system of funding for local Councils. A number of key operational questions are yet to be answered. However it is clear that the scale of the financial challenges remains. The report sets out the initial steps we are proposing to take to ensure the Council sets balanced budgets beyond 2016/17 while continuing to deliver the Wirral Plan and its vision.

The Medium Term Financial Strategy will be developed over the coming year in order to close the Council’s medium term budget gap. The approach will also ensure the Council’s resources are prioritised to those actions that achieve most in terms of

the delivery of the Wirral Plan outcomes. Since the approval of the Wirral Plan in July 2015, considerable progress has been made in all areas of the Wirral Plan and our Annual Report provides details of this. At the same time the Council has been moving forward with an integrated approach to planning policy and financial strategy. This is to ensure that our resources are targeted in accordance with the priorities identified in the Wirral Plan. This report, details the approach to integrating budget development over the coming year with the delivery of the priorities in the Wirral Plan.

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

RECOMMENDATION/S

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

In respect to the Treasury Management Strategy 2016-19

- i) The Treasury Management Strategy 2016-19.
- ii) The adoption of the Prudential Indicators.
- iii) The Minimum Revenue Provision policy for 2016/17.
- iv) The Council Officers listed in Annex G to approve payments from the Council's bank account for all treasury management activities.

In respect Medium Term Financial Strategy 2016/17-2020/21

- i) The Medium Term Financial Strategy 2016-21.
- ii) To regular updates of the Medium Term Financial Strategy in accordance with the action plan.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 An effective Medium Term Financial Strategy and Wirral Plan are necessary to ensure that the Council functions well. It is important that Councillors and residents are aware of the scale of the financial issues facing the Council. Updates to the financial projections for future years are made on a regular basis. While the Wirral Plan identifies how the 20 Pledges are to be achieved, the annual budget demonstrates in part how these are to be delivered. The Medium Term Financial Strategy indicates the resource issues and principles that shape not only the Budget for 2016/17 but also the future budgets by identifying current issues as well as potential developments / related issues. It is through the Strategy that future revenue and capital budgets are developed.
- 1.2 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.
- 1.3 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 MEDIUM TERM FINANCIAL STRATEGY 2016/17-2020/21

- 3.1 Over the period 2016/17-2020/21 the Council will face further financial challenges. The Medium Term Financial Strategy focuses on ensuring that resources are targeted to the 20 Pledges while operating within the reduced financial resources that will be available. The last Medium Term Financial Strategy was approved in February 2015 and covered 2015/16-2017/18. With the development of the Wirral Plan the Medium Term Financial Strategy has been moved on a year and extended to cover a five year period 2016/17-2020/21.

3.3 Budget Gap Updated Position

Original Budget Gap

2016/17	2017/18	2018/19	2019/20	2020/21	Total
£24m	£24m	£26m	£27m	£25m	£126m

3.4 The projected 5-year budget gap reported to Cabinet in December 2015 was £126m. The Local Government Settlement announced in February has provided further details of potential funding for the MTFs period. However the figures announced should be treated with caution and not yet viewed as definitive. This is because a number of elements of future funding are subject to development and further decision. This means that there is as high degree of uncertainty on elements such as:

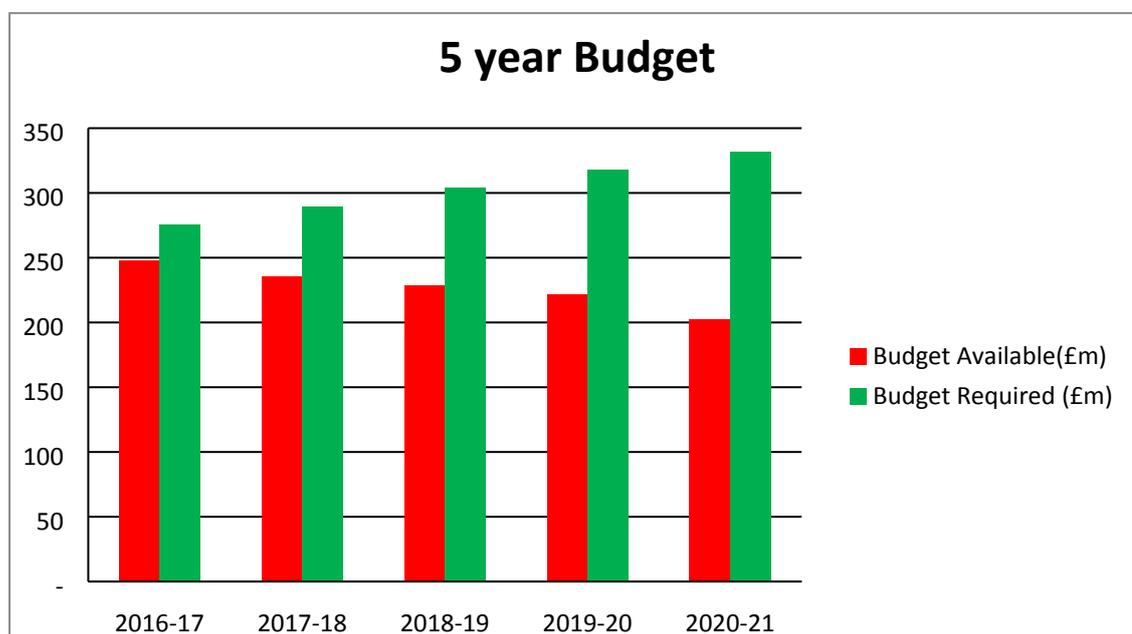
- The phasing out of Revenue Support Grant and the retention of all business rates generated nationally.
- The related transfer of new responsibilities including the funding of public health to local government.
- The retention of any mechanism to fund needs in areas where the potential to self-fund services is limited.
- The offer of four year funding settlements linked to Councils producing efficiency plans.
- Consultation over the operation of New Homes Bonus over four years instead of the current six years.
- The relaxation of the use of capital receipts to fund transformation.
- The treatment and level of specific grants.

3.5 Using the details announced in February to revise the projections for the Council means that the total budget gap for the MTFs period is anticipated to be similar to that originally forecast. However the phasing of the size of the gap is different with the gap being greater in the earlier years.

Revised Budget Gap

2016/17	2017/18	2018/19	2019/20	2020/21	Total
£28m	£26m	£21m	£21m	£33m	£129m

3.6 The Government has made announcements on funding up to and including 2019/20. The graph below illustrates the difference between the budget based on funding announced and the budget that which is predicted to be required. It provides a cumulative picture of the gap increasing over the MTFS period.



3.7 The Medium Term Financial Strategy, as well as providing further financial background to the period 2016/17, sets out the Councils financial strategy over the next few years, the responses and approaches that may be adopted to meet the challenges faced and to close the funding gap. The Medium Term Financial Strategy contains the following sections:

- Overview of the period 2016/17-2020/21
- Financial overview of 2016/17-2020/21
- Financial Strategy 2016/17-2020/21
- General Fund Balances and Earmarked Reserves
- Capital, Treasury Management and Asset Management

3.8 Wherever a financial estimate can be made of likely events this has been included. Given the level of assumptions for any projection of this type, only significant items have been included. The aim of this Strategy is not to give provisional budget figures, but to provide the Council with a framework with which to support planning considerations for the medium term. The tables within the Medium Term Financial Strategy are dependent on the completion of the setting of the budget for 2016-17.

3.9 The MTFS and agreement of proposed savings in March 2016 will balance the Councils budget for 2016/17 only. The Local Government Finance Settlement has confirmed that the Council will face a funding gap until the end of the MTFS period. While a number of financial details of the operation

across this period remain uncertain the direction of travel is clear. To enable the Council to use its limited financial resources in ways that ensure the delivery of the Wirral Plan and assess opportunities for savings, there is a need to start work immediately on our future financial plans.

- 3.10 The work should build on and revisit the work that has been done over the last six months. It needs to utilise the insight and intelligence that has developed in the forming of strategies that support achievement of the Wirral Plan. This is due to conclude at the end of June. It also needs to integrate with action plans that support the strategies and translate how the pledges will be achieved. The recent results of the Residents survey also must play into the development of plans over the next 5 years.
- 3.11 The aim of this work is to create a “one Council”, aligned approach to action planning and budgeting. Members have agreed a number of pledges for the Council.
- 3.12 Initially -service areas will be asked to develop proposals for the period 2017/18 – 2020/21. These proposals will include the following:
- How service objectives, through prioritised actions, will support the delivery of the 20 Pledges.
 - How the prioritised actions will be costed and delivered.
 - Opportunities for savings including maximising income and efficiencies.
 - Unavoidable financial pressures.
- 3.13 The main focus of the approach will be savings. These will be themed into the following:
- Income and Resource Management
 - Managing Demand
 - Delivering Differently
 - Service Changes

3.14 Action Plan

February	Agreement of 2016/17 Budget and MFTS 2016/21
March	
April	Update financial outlook in the light of Government announcements. Service Action Planning to support the Delivery of the Pledges. Revisit and explore the potential scope for savings in the four theme areas: <ul style="list-style-type: none"> • Income and Resource Management • Managing Demand • Delivering Differently • Service Change
May	
June	Updated 5 year financial position presented. Cabinet assessment of the exploration work undertaken in the four theme areas. Cabinet agrees priority areas for the development of savings and business cases.
July	Development of savings and business cases including implementation resources.
August	
September	Cabinet decides priority areas for savings.
October	Challenge, consultation, progression and completion of savings. Consultation
November	
December	Cabinet agreement of saving.

3.15 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 of the Strategy and is subject to approval by the Council at the same time as the budget. The following paragraphs are specific to the strategy and highlighted to assist Members in their consideration of the Treasury Management Strategy.

3.16 CIPFA has defined treasury management as: “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with

those activities; and the pursuit of optimum performance consistent with those risks.”

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

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

- Treasury Management Strategy for 2016/19.
- Annual Investment Strategy for 2016/17
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Prudential Indicators for 2016/17, 2017/18 and 2018/19
- Authorised Signatories for Treasury Management Activity

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

5.1 There are none arising out of this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

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

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

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising out of the Medium Term Financial Strategy 2016/17-2020/21.

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APPENDICES

Appendix 1: Medium Term Financial Strategy 2016/17-2020/21

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<u>Medium Term Financial Strategy</u>	
Cabinet - Medium Term Financial Strategy	18 February 2013
Cabinet - Future Financial Position	10 December 2013
Cabinet - Medium Term Financial Strategy	12 February 2014
Cabinet - Future Financial Position	9 December 2014
Cabinet - Medium Term Financial Strategy	10 February 2015
Cabinet- Council Budget 2016/17 and Medium Term Financial Strategy	17 December 2015
<u>Treasury Management & Investment Strategy</u>	
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
Cabinet - Treasury Management Annual Report 2013/14	7 July 2014
Cabinet - Treasury Management Annual Report 2014/15	13 July 2015

2016-21 Medium Term Financial Strategy

Plan of Strategy

Section 1 Overview of the Period 2016-21

- 1.1 Purpose of Document
- 1.2 Links to the Wirral Plan
- 1.3 National and External Influences
- 1.4 Budget Priorities

Section 2 Financial Overview of 2016-21

Forecast Income

- 2.1 Local Government Grant Funding
- 2.2 Local Taxation

Forecast Expenditure

- 2.3 Cost Pressures
- 2.4 Overall Financial Projections 2016-21
- 2.5 Revenue Budget Strategy to meet pressures

Section 3 Financial Strategy 2016-21

- 3.1 Achieving a Balanced Budget 2016/17-2020/21
- 3.2 Equality
- 3.3 Review of the Medium Term Financial Strategy

Section 4 General Fund Balances and Earmarked Reserves

- 4.1 Introduction
- 4.2 General Fund Balances
- 4.3 Earmarked Reserves
- 4.4 Monitoring and Management
- 4.5 Summary

Section 5 Capital, Treasury Management and Asset Management

- 5.1 Balance Sheet Management
- 5.2 Capital Overview
- 5.3 Capital Strategy
- 5.4 Treasury Management

Appendix 1 Capital Strategy 2016-19

Appendix 2 Treasury Management Strategy Statement 2016-19

1 Overview

1.1 Purpose of the Document

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

The Council is facing a challenging financial future. The setting of next and future years' budgets will be difficult. The level of savings required to balance the Council's budget are considerable. Significant savings are expected throughout the next 5 years as public sector expenditure is reduced.

It is through the MTFS process that the Council sets out how it will respond to the new financial realities it faces over the period 2016-21. The strategy also links with the Wirral Plan. It shows how our finances will be structured and managed to ensure that they meet future financial challenges, as well as supporting the pledges of the Council and its partners.

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

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

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

- The Wirral Plan: 2020 Vision;
- Capital Strategy including capital programme;
- Asset Management Plan;
- Treasury Management Strategy.

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

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

1.2 Links to the Wirral Plan

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

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

1.3 National and External Influences

National Influences

The MTFs for the five years 2016/17 to 2020/21 has been developed against a continuing challenging financial picture. The Autumn Statement and Spending Review 2015 have confirmed that financial restrictions will continue. The Council must realign its services to the reduced funding levels and contain its spending to the overall income available. Wirral has made savings of over £150m between 2011/12 and 2015/16. 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 will need to make new savings in the next 5 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 other sources.

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 challenges for local government.

The Government's aim is and continues to be to eliminate the budget deficit. The announcements in December 2015 confirm the Governments plans to achieve a budget surplus in 2019/20, and that the funding prospects for Local Government will continue to be challenging in the coming years. Wirral has been and will continue to prepare for this and Cabinet is being requested to approve savings to be implemented in 2016/17. Further work is required to balance the budget beyond 2016/17.

In July 2015 the Government announced plans to make savings of £37bn over this parliament. Of this £12bn would come from welfare reductions and £5bn from taxation sources. The remaining £12bn of savings were to be identified in the Spending Review announced in late 2015.

Since July the Office of Budget Responsibility (OBR) predictions for public finances have improved. This is due to improved revenue such as tax receipts and lower interest on government debt. These improvements have meant that the reductions in public spending required were revised downwards to £18bn. The Spending Review 2015 announced £3bn per annum of income from the new apprenticeship levy and £3bn from tax avoidance measures. This left the majority of reductions announced, £12bn, as savings in government departmental spending.

This overall £12 bn reduction to total departmental spending by 2019/20 is made up of £21.5 bn of savings in unprotected departments such as local government off set a £9.5 bn reinvestment in the Governments key priorities. These are as follows:

- The NHS in England £10 bn per year more in real terms by 2020/21.
- Defence spending.
- Overseas aid.
- Increasing the basic State Pension.
- Protecting Police Spending.

The nature of these protections to specific departments means that unprotected areas such as local government will pick up a higher proportion of reductions in funding. In forecasting across the MTFS period there is a need to be aware of the variation in Government predictions. During the last parliament downward revisions to forecasts for the economy lead to the increase in cuts to local government from those announced in 2010 Spending Review. This helped the Government meet its objective and targets of reducing the public sector deficit.

The Government has in three Spending Rounds (2010, 2013 and 2015) set out plans to reduce public expenditure as part of its strategy to eliminate the deficit and eventually reduce debt. The Government's Spending Round 2015 set out public expenditure plans (including local government expenditure) up to and including 2019/20. For a number of departments 2020/21 departmental budgets were set. For the rest, 2020/21 budgets for example for Local Government will be set in the next Spending Review.

The National Economy

The UK economy performed better during 2015 than was predicted. Economic recovery as mentioned before is key to the Government meeting its deficit reduction targets and in turn spending plans.

The Office for Budget Responsibility (OBR) has published revised economic predictions. The economic forecast for 2015 year has been confirmed at 2.4% and it is estimated to be 2.4% in 2016, 2.5% in 2017, 2.5% in 2018 and 2.3% in 2019 and 2020.

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

1.4 Budget Priorities

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

- Income and Resource Management
- Managing Demand
- Delivering Differently
- Service Changes

In approving the budget savings options for 2016/17 the council has had regard for those services deemed to be of the highest priority.

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

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

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

Financial Overview of 2016-21

Forecast Income

2.1 Local Government Grant Funding

Wirral is very reliant on government grant to support all services. Since 2010 Government grant funding has reduced each year. This reduction in funding coupled with a number of increasing financial pressures such as those due to demographic changes have meant that the Council has had to save over £150m over the five year period to 2015/16.

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

The Autumn Statement and Spending Review 2015 announced departmental spending totals for local government to 2019/20. These announcements coupled with the provisional Local Government Finance Settlement (LGFS) for 2016/17 announced on 17 December 2015 provide details of indicative funding to local government over the next 4 years. The LGFS introduced the Core Spending Power, a new composite measure of local government funding.

Beyond 2019/20 the Government has made no detailed announcements on the general grant funding of local government. However there remains a great deal of uncertainty in projecting Wirral's' future funding. The provisional Local Government Settlement and the Spending review announced a number of policy changes that will have consequences for the Council. There are as yet few details of the specific impact of the new policies on the Council's MTFS position.

The announcements that potentially impact on the Council are as follows:

Council Tax

The Spending Review announced that local authorities responsible for social care will be allowed to collect social care precept, giving the power to raise new funding to be spent only on adult social care. The precept will work by giving local authorities the flexibility to raise council tax by up to 2% above the existing threshold without the need for a referendum. The referendum threshold has been announced at 3.99% and freeze grant is not being offered by the Government in 2016/17.

Business Rates, Core Grants and Funding changes

The government has previously announced that by the end of the parliament "core grant" (RSG) would be phased out and councils would retain all business rates generated locally. The government has been clear that this policy would be fiscally-neutral. This is thought to mean the local government will not be able to retain additional business rates without a corresponding increase in its responsibilities and/or substitution for existing sources of income. This means that it is likely that any increase in the amount of retained rates would be matched by a decrease in other grants.

The stated position is that under the proposed reforms councils will have the power to cut but not raise rates, except in limited cases for elected mayors who following consultation with the business community, will have the power to increase rates to pay for infrastructure. The system of top-ups and tariffs that distribute rates across the country will remain. Wirral is a recipient of a top-up. The proposed changes to business rates will be included in a forthcoming consultation on local government finance in 2016.

The Spending Review also announced other changes to local government grant funding:

- New Homes Bonus – consultation on reducing the length of payments from 6 to 4 years. This would represent a further cut.
- Capital Receipts – local authorities will have flexibility to spend capital receipts on the costs of service reform. This may be of limited use to Wirral as the Capital programme has factored in the use of capital receipts.
- Better Care Fund – an increase in the Better Care Fund by £1.5bn to support the integration between health and social care. Integration plans will have to be produced in 2017 that will have to set out how integration will take place by 2020.
- Public Health Grant – an announced plan for cuts of 3.9% per annum over the next 5 years in real terms. The ring fence on public health spending will be maintained in 2016/17 and 2017/18. The future after this is unclear, and will be considered as part of the changes in responsibilities for 100% Business Rate Retention.
- Four year funding settlements – Agreement of four year fixed funding linked to the production of efficiency plans.
- A national formula for schools funding – the intention to introduce a national fairer funding formula from April 2017.

Local Government Finance Settlement

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

	2014/15 Funding £m	2015/16 Funding £m	2016/17 Funding £m
Upper Tier Funding	118.155	97.742	92.485
Lower Tier Funding	20.825	17.402	13.100
Formula Funding	138.980	115.144	105.585
Grants Held Back	0.213	0	0
Council Tax Freeze Compensation Part 1	3.271	3.259	0
Council Tax Freeze Compensation Part 2	n/a	1.354	0
Early Intervention Funding	10.251	9.336	8.588
Homelessness Prevention Funding	0.065	0.065	0.065
Lead Local Authority Funding	0.121	0.120	0.153
Learning Disability and Health Reform Funding	7.141	7.114	7.264
Local Welfare Provision 2015/16 only.	n/a	1.210	1.209
Care Act Funding	n/a	n/a	2.399
Total Grants Rolled in	21.062	22.458	19.678
Total Settlement Funding	160.042	137.602	125.263

*For 2014/15 Council Tax Freeze Compensation Part 2 was paid as a separate grant. In 2015/16 the grant has been rolled into general grants. Local Welfare Assistance Grant was paid in 2014/15 as a specific grant. This ceased in 2015/16. The amount included above is a purely indicative figure and no grant has rolled in.

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	£m	£m
Net Forecast rate yield	65.377	66.629	67.153
Less: Amount to be paid to Central Government (50%)	32.689	33.314	33.576
Business Rates Baseline	32.688	33.315	33.577
Less: Amount to be paid to Merseyside Fire and Civil Defence Authority (1%)	0.654	0.666	0.658
Retained Business (RBR) element:	32.034	32.649	32.919

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	2015/16 £m	2016/17 £m
Retained Business Rates (RBR)	Variable amount	32.034	32.649	32.919
RBR Top up from Government	Fixed amount	40.513	41.287	41.632
Revenue Support Grant	Fixed amount	87.493	63.667	50.712
Total Funding		160.040	137.603	125.263

Actual retained business rates income for 2016/17 will be dependent on the assessed rateable values, effect of appeals and collection rates. The NNDR1 return estimates this amount is included in the Councils budget. 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 Government has implemented a referendum regime from 2012 onwards, for Council Tax increases that it regards as excessive. For 2015/16, 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 if it proposes to increase Council Tax by more than 4% in 2016/17. This reflects the introduction of funding for adult social care through increased council tax levels at the discretion of the Council. The additional funding must be passed to the service.

Forecast Expenditure

2.3 Cost Pressures

The financial pressures in the period 2016-21 facing Wirral Council are considerable. There will be a number of items of additional expenditure that are likely to be incurred in future years. Other issues that will occur that will require funding for which uncertainties exist, but will eventually involve expenditure for the Council.

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

Growth Changes

- Economic – 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 present. The following have not been added into the 5 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 its services.

A fundamental issue to be addressed in the period of the MTFS is the Council's approach to cost pressures and growth in a period when it's funding is reducing. For 2016/17 growth and inflation has been examined and challenged to explore alternative options for meeting the cost pressures faced. Cost pressures are offset by savings. It is proposed that in future years Directorates will be required to manage their pressures within their resources as far as possible.

2.4 Overall Financial Projections for 2016/17

Bringing together forecast income and forecast expenditure; there is a forecast funding gap of £28 m in 2016/17 rising to £129m by 2020/21. Details of the build-up of the forecast are set out in the following paragraphs.

Developments in the Overall Financial Projections

The MTFS approved for 2015-18 reflected the financial projections for the Council based on the Autumn Statement 2014, the Local Finance Settlement for 2015/16, a forecast of reductions in funding for 2016/17 and 2017/18 and a number of budget assumptions. This forecast that the Council would have an overall deficit of £49 million for the period 2015-18. It was recognised at the time that this would be subject to change as the Government had yet to finalise the Spending Review for the final two years of the period.

MTFS February 2015 Forecast Funding Gap 2017-18

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Forecast Funding Gap	0	24	25	49

With the development of the Wirral Plan the Medium Term Financial Strategy has been moved on a year and extended to cover a five year period 2016/17-2020/21.

Budget Gap Five Year Position

Original Budget Gap

2016/17	2017/18	2018/19	2019/20	2020/21	Total
£24m	£24m	£26m	£27m	£25m	£126m

The projected 5-year budget gap reported to Cabinet in December 2015 was £126m. The Local Government Settlement announced in February has provided further details of potential funding for the MTFS period. However the figures announced should be treated with caution and not yet viewed as definitive. This is because a number of elements of future funding are subject to development and further decision. This means that there is as high degree of uncertainty on elements such as:

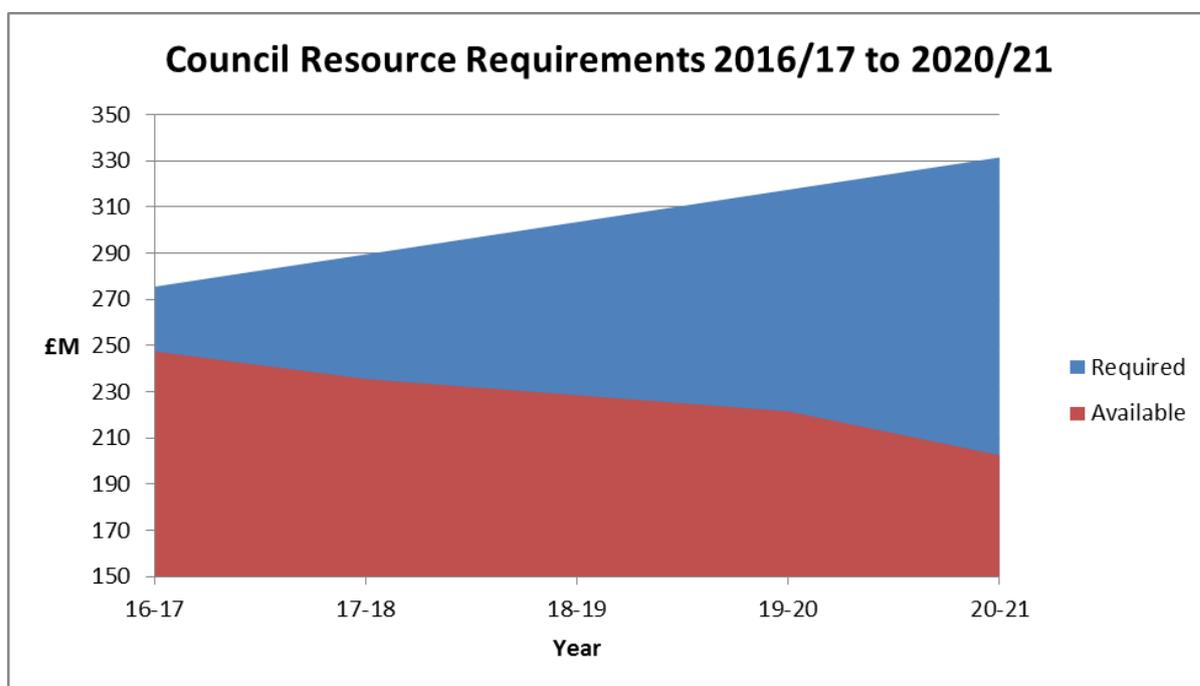
- The phasing out of Revenue Support Grant and the retention of all business rates generated nationally.
- The related transfer of new responsibilities including the funding of public health to local government.
- The retention of any mechanism to fund needs in areas where the potential to self-fund services is limited.
- The offer of four year funding settlements linked to Councils producing efficiency plans.
- Consultation over the operation of New Homes Bonus over four years instead of the current six years.
- The relaxation of the use of capital receipts to fund transformation.
- The treatment and level of specific grants.

Using the details announced in February to revise the projections for the Council means that the total budget gap for the MTFS period is anticipated to be similar to that originally forecast. However the phasing of the size of the gap is different with the gap being greater in the earlier years.

Revised Budget Gap

2016/17	2017/18	2018/19	2019/20	2020/21	Total
£28m	£26m	£21m	£21m	£33m	£129m

The Government has made announcements on funding up to and including 2019/20. The graph below illustrates the difference between the budget based on funding announced and the budget that which is predicted to be required. It provides a cumulative picture of the gap increasing over the MTFS period.



The 5-year financial projections highlights that there continues to be a gap between the Councils available resources and spending pressures. As mentioned before the Council has been, and will continue to work through one of the most challenging financial periods it has ever faced. The Spending Review periods to 2015/16 have seen the greatest ever post war reduction in Local Government funding. It is clear from recent announcements that similar reductions will occur over the next four years. To respond to this the Council must reshape to meet this new financial reality. Wirral has made savings in the period 2011-2016 and will do so again in 2016/17. Significant savings are expected throughout the spending review period and beyond. The Council is working in an increasingly difficult and unpredictable financial environment.

2.5 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 aligning to the Wirral Pledges and priority areas.

The Wirral Plan was approved by Council on 13 July 2015 and was then adopted by all strategic partners from the public, private and third sectors to create the first Wirral Plan.

The Plan provides a clear ambition for the borough based on three overarching priority areas:-

PEOPLE

Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.

BUSINESS

Wirral is a place where employers want to invest and businesses thrive.

ENVIRONMENT

Wirral has an attractive and sustainable environment, where good health and an excellent quality of life is enjoyed by everyone who lives here.

The ambition for Wirral is underpinned by 20 specific pledges which define the outcomes to be achieved over the next five years. This shared set of outcomes, goals and objectives will see work towards integrating services and budgets and making best use of the available public sector resources for the benefit of Wirral people. Partners have committed to playing a lead role in achieving 8 of the 20 pledges.

To ensure the Wirral Plan becomes a reality there is to be an under-pinning Delivery Plan. Phase One of this Plan was agreed by Cabinet on 8 October 2015 and this has since been subject to consultation and review in order to inform the series of strategies and plans which provide the detail as to how the pledges will be delivered by 2020. The strategies are being developed and will be finalised in June 2016.

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

3 Financial Strategy 2016-2021

3.1 Achieving a Balanced Budget 2016/17-2020/21

Next Steps in the Financial Strategy

The agreed savings and the MTFs strategy will enable Wirral to balance the budget in 2016/17. As set out in the above sections, there will be a budget gap in the years after 2016/17 across the remaining 4 years of the strategy. There is a need to plan for these years. To be able to assess the potential for savings and allocate out our resources where they maximize the achievement of the Wirral Plan outcomes, consideration has already been given to the shape of the Councils future financial strategy.

To develop a plan for the coming years we will utilise the work that was required to produce the 2016/17 budget and the insight gained from the development of the Wirral Plan and its supporting Strategies.

Financial Strategy Principles

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

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

Financial Strategy Approach

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

Income and resource management The Council must do all it can to build its way to a sound financial position. Maximising income to help offset cuts; more investment, more jobs and more housing coming into the borough transforms our finances. It translates into more business rates, more Council Tax and more people in work. Every pound we bring into the Council is a pound we can invest in the kind of modern service people need.

Managing Demand Reducing the demand (and subsequently the cost) of specialist, substantial services mean we are able to invest more resources into early intervention and prevention services. In line with the Wirral Plan and the views of residents it is important to protect the vulnerable. The approach planned would be to make no overall reductions in the levels of spending on care services for adults and children. Working with Health partners to improve the health and well-being of Wirral people will see the integration of resources to realise efficiencies to help meet the increasing demand from within the currently available budget.

Delivering Differently The Wirral Plan sets out how public services will work better together to deliver better job opportunities, a quality local environment, better health and a good life for local children and older people in particular.

In recent years the range of opportunities to either improve service delivery directly, or to reduce costs/increase income have increased. These forms of public service reform include a range of potential areas including ensuring the council can derive the maximum benefit from any devolution of powers; and exploring areas of commercialisation, integration and collaboration with partners to share best practice and increase efficiency. We will explore which of these opportunities could work for us – to enable us to transform and re-evaluate some of our services with a more long-term focus whilst making savings and remaining focused on our key outcomes. The Council continues to find new and innovative ways of working in partnership to achieve the outcomes Wirral residents need and will build upon the initiatives around Community Asset Transfer and the recently launched Schools Company (Edsential) and Day Services company (Wirral Evolutions).

Service Changes: The scale of the financial reductions which are imposed on us makes it impossible to avoid changing or reducing some services. We will do all we can to work with partners to manage the impact of those reductions, particularly on the most vulnerable, and we will challenge ourselves to be more efficient, to integrate more and come up with new solutions to make our money go further.

Whilst the savings will be developed along these themes in line with the Wirral Plan objectives the Council continues to assess the more “traditional” approaches to closing its funding gap and balancing its budget. These will include the following:

- 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.
- Asset Review – examination of the Councils asset base and rationalise to ensure that its properties are in line with its service needs.
- Change Future Assumptions – future areas of budgetary growth will be examined to, where possible, reduce the level of financial demands.

Implementing the Financial Strategy – Key Dates to December 2016

The MTFS and agreement of proposed savings in March 2016 will balance the Councils budget for 2016/17 only. The Local Government Finance Settlement has confirmed that the Council will face a funding gap until the end of the MTFS period. While a number of financial details of the operation across this period remain uncertain the direction of travel is clear. To enable the Council to use its limited financial resources in ways that ensure the delivery of the Wirral Plan and assess opportunities for savings, there is a need to start work immediately on our future financial plans.

The work should build on and revisit the work that has been done over the last six months. It needs to utilise the insight and intelligence that has developed in the forming of strategies that support achievement of the Wirral Plan. This is due to conclude at the end of June. It also needs to integrate with action plans that support the strategies and translate how the pledges will be achieved. The recent results of the Residents survey also must play into the development of plans over the next 5 years.

The aim of this work is to create a “one Council”, aligned approach to action planning and budgeting. Members have agreed a number of pledges for the Council. Initially, service areas will be asked to develop proposals for the period 2017/18 – 2020/21. These proposals will include the following:

- How service objectives, through prioritised actions, will support the delivery of the 20 Pledges.
- How the prioritised actions will be costed and delivered.
- Opportunities for savings including maximising income and efficiencies plus unavoidable financial pressures.

Action Plan

February	Agreement of 2016/17 Budget and MFTS 2016-21
March	
April	Update financial outlook in the light of Government announcements. Service Action Planning to support the Delivery of the Pledges. Revisit and explore the potential scope for savings in the four theme areas: <ul style="list-style-type: none"> • Income and Resource Management • Managing Demand • Delivering Differently • Service Change
May	
June	Updated 5 year financial position presented. Cabinet assessment of the exploration work undertaken in the four theme areas. Cabinet agrees priority areas for the development of savings and business cases.
July	Development of savings and business cases including implementation resources.
August	
September	Cabinet decides priority areas for savings.
October	Challenge, consultation, progression and completion of savings. Consultation
November	
December	Cabinet agreement of saving.

2017/18-2020/21 Financial Strategy

To tackle the magnitude of the future financial challenge 2017/18 to 2020/21 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 Wirral Plan and its pledges. It is clear that in the period the total financial resources of the Council and its partners need to be maximised, prioritised and matched to key services and activities.

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

The period 2016/17-2020/21 will see further reductions in grant funding. There will be continued significant reductions in the grant funding received from Central Government. This will coincide with increasing demands for our services. The resulting increasing deficit combined with the reduced ability of the Council to get “the same for less” means that there are considerable financial challenges and decisions to be taken. Very difficult decisions are going to be needed to prioritise spend and ensure a viable budget in the future. The emphasis for future years will be challenging services the Council continues to fund, working with partner organisations and driving out efficiencies in ways of working.

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

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

3.2 Equality

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

3.3 Review of the Medium Term Financial Strategy

The Council is facing a massive challenge to implement its financial strategy. This is in response to the Governments reductions in public expenditure. The budget set for 2016/17 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 2016/17 to assess the Council progress towards this key objective.

4. General Fund Balances and Earmarked Reserves

4.1 Introduction

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

The Council's approach to how it manages its reserves is based on Wirral's local circumstances. The amount held is decided by the Council in line with its perceived future local demands. As such there is no standard approach to the level of reserves that could be applicable to every Council.

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 £11.5m for 2016/17.

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 areas of risk considered in the general contingency are set out in the report on the Revenue Budget 2016-17, with an explanation of the potential risks faced by Wirral Council. The calculation of the level of General Reserves Balances is as follows:-

2014/15	2015/16	2016/17
£17.3m	£17.4m	£11.5m

4.3 Earmarked Reserves

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

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

4.4 Monitoring and Management

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

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

4.5 Summary

Although the budget position is very challenging and will remain so for the foreseeable future, the Acting Section 151 Officer considers the level of reserves and balances to be reasonable for 2016/17 based on:-

- Working Balance of £11.5m, which assessed as 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 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 and revenue budget contingency.

Capital and Treasury Management

5.1 Balance Sheet Management

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

The Council already has embedded processes to review its fixed assets through the asset management strategies for treasury management and borrowing. Over the course of 2016/17 it will undertake a self-assessment of the process for managing and making provisions for outstanding debtors to ensure that it is effective and will implement any appropriate changes.

5.2 Capital Overview

The MTFs includes the capital strategy for a three year period 2016/17 to 2019/20. The strategy is designed to maximise outcomes through a prioritisation of limited resource allocations. The Council will continue to identify future capital resources including on-going reviews of its own asset holdings, the latter aiming to generate receipts to be reinvested into its capital resources. In addition the strategy seeks to minimise the level of unsupported borrowing where no additional source of income or saving can be identified to cover the ongoing revenue costs.

5.3 Capital Strategy

The Capital Strategy is concerned with, and sets the framework for, all aspects of the Council's capital expenditure over the 3 year period 2016/17 to 2019/20 – its planning, prioritisation, management and funding. It is closely related to, and informed by; the Council's Asset Management Plan and is an integral aspect of the Council's medium term service and financial planning process as reflected in the MTFs. It is also essential that the strategy reflects the wider public and private sector investment into the overall improvement of the area.

The key aims of the Capital Strategy are:

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

5.4 Treasury Management

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

- The Treasury Management Strategy Statement which sets out how the Council's treasury service supports capital decisions, day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit required by Section 3 of the Local Government Act 2003 and is in accordance with the CIPFA (Chartered Institute of Public Finance & Accountancy) Codes of Practice;
- The reporting of the prudential indicators for external debt and the treasury management prudential indicators as required by the CIPFA Treasury Management Code of Practice;
- The investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the Department for Communities and Local Government (DCLG) Guidance on Local Government Investments updated in 2010. It is proposed to reduce the Council's minimum long term credit rating requirement from A- to BBB+ 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 Council has adopted the codes and the Treasury Management Strategy Statement 2016-19 reflects the updated codes.

Overview and Purpose of the Capital Strategy

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

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

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

With a challenging financial environment for the foreseeable future that is influenced by a variety of external factors, there will only ever be a limited amount of capital resources available. The more we fund, therefore from capital receipts (nil revenue impact) the less the pressure imposed on otherwise scarce revenue resources. Therefore, it is vital that we target limited resources to maximum effect with a focus on our strategic and financial priorities.

The pressure on the Council's 2016-19 revenue budgets does limit the scope for unsupported capital expenditure (that generate revenue costs) compared to schemes that generate revenue savings. This is evidenced by the fact that there is a £2.05 million reduction in the financing costs budget for 2016/17.

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

- a) Invest to Save schemes (cost reduction or income generation)
- b) Essential health and safety works
- c) Grant funded schemes
- d) Schemes generating capital receipts

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

Influences on the Capital Strategy

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

Local Government Funding

Since 2005 the Council has suffered a reduction of £151m in its budget. In the period 2015-2020 the prediction is for additional cuts of £126m. The removal of the entire Revenue Support Grant over the next 5 years together with the changes to Business Rates and the introduction of mechanisms such as the Social Care precept will have a devastating impact on our ability to deliver services in the future.

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

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.

Strategic asset management

Capital and assets are two sides of the same coin and it is vital that our capital programme complements the Asset Management Plan. 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.

Definition and Eligibility of Capital Expenditure

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

Capital expenditure can fall into one of two main categories

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

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

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

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

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

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

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

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

Financial Implications of the Capital Programme

Including the estimated programme for 2015/16, over the last three years Wirral will have spent on average £35m per year on capital projects. The latest plans call for an investment of £68.3 million over the next three years. Out of this £21.4 million or 31% of the programme will be funded from unsupported borrowing. The estimated borrowing cost associated with this is £1.9 million by March 2019. This can be accommodated within the existing Treasury Management budget. This is partly due to Internal borrowing, the temporary use of cash flow monies arising from the Council's holding of earmarked reserves and balances to delay external borrowing which has been used to reduce interest costs.

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

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

Interest costs for the period of the actual loan. For budgetary purposes the cost of borrowing has been assumed to be 4% in 2016/17.

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

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

Sources of Capital Funding

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

Borrowing

By the end of March 2016 it is estimated that Wirral's long term borrowing will be in the region of £197 million. Based on the proposed capital programme the proportion of net debt costs will increase from 9.7% in 2016/17 to 11.7% in 2018/19. This is calculated as a percentage of the forecast net revenue budget over the next three years. The level of borrowing to fund the capital programme must take into account the revenue implications. The Prudential Capital Finance system allows Local Authorities to borrow for capital expenditure without Government consent provided it is affordable. Local authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.

As a guide, borrowing incurs a revenue cost of approximately 9% 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 £90,000.

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

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 25 years then revenue costs would be £0.2 million each year for 20 years plus the interest cost of the borrowing.

Grants

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

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

The following table shows the anticipated receipts and how they will be used to fund the capital programme. This profile forms an integral part in calculating a number of the Prudential Indicators.

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Capital Receipts Reserve	8,300	2,079	3,740	11,826
In – Receipts Assumption	2,400	15,000	10,500	500
Out - Funding assumption	-8,621	-13,339	-2,414	-
Closing Balance	2,079	3,740	11,826	12,326

The anticipated receipts are only estimates at this stage and will likely change. In the main they reflect the anticipated dates for the disposal of the 3 major sites- Acre Lane, Manor Drive and the former Rock Ferry High School.

Officers are currently in the process of producing a set of principles that should be applied in assessing the best outcome when sites become available for disposal. Such options could for example include community transfer, RSL transfer, development for extra care housing or site disposal.

Flexible use of capital receipts

As part of the Provisional Local Government Finance Settlement the Government published draft guidance on the flexible use of capital receipts. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net service expenditure.

This could well have an impact on the way Members determine that capital receipts will be used. Before any decision to switch this resource from capital to revenue is taken the following should be considered;

The impact on the capital programme. Are schemes that were originally planned to be funded from receipts abandoned, amended or are they funded from additional borrowing. In case of the latter the additional revenue borrowing costs must be compared to any efficiency savings and the impact on the various Prudential Indicators must be considered.

Revenue / Other Contributions

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

Investment decisions

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

ANNEX 1

Scoring mechanism for assessing capital bids 2016/21 Capital Programme			
Scheme Title/Department	Score 1-10	Multiplier	Weighted Score
Direct links to the Council Plan 20:20 Vision Does the scheme directly link to any of the 20 pledges and/or enabling projects?	10	15	
Statutory or Regulatory Duty Is there a clearly identifiable requirement to meet statutory or regulatory obligations?	10	20	
Objectives and outputs Are the stated objectives specific, measurable, achievable and realistic?	10	5	
Have any outputs been quantified?	10	5	
Have any project constraints been assessed and full consideration given to addressing these?	10	5	
Will not doing the scheme result in a significant drop in the level of service the Council provides?	10	5	
Identification of Alternative Options Have alternative options been fully considered with detailed reasons for rejection evidenced?	10	5	
Finance Business case demonstrates achievable/realistic revenue savings OR generates additional income	10	10	
If yes score by the % saving compared to the capital outlay	10	15	
The scheme requires additional revenue resources over and above capital financing costs	10	10	
Does the scheme receive specific funding from external sources?	10	10	
Risk Have risks been properly identified and scored?	10	10	
Overall Weighted Score			xxxx

Governance and process

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

The terms of reference for the Assets and Capital Group are included in Annex 2.

Capital Programme and Financing 2016/19

Cabinet on 22 February 2016 agreed a capital programme and financing 2016/19.

TO BE INCLUDED AFTER PROGRAMME AGREED

The CWG shall meet fortnightly and at a minimum shall comprise Senior Managers/Heads of Service or above from each of the three Strategic Directorates. Specifically the group will:

1. Agree the format and content of the monthly capital monitoring reports, prior to submission to the Chief Executive's Strategy Group (CESG).
2. Develop, monitor and keep under review the Council's capital investment appraisal system which will provide guidance for departments when submitting annual bids for possible inclusion in the three year capital programme. This guidance should support corporate priorities and the overall budget and planning processes.
3. To assess, approve or reject such bids in accordance with the above appraisal system. This will form the basis of the new capital programme presented to CESG for their consideration.
4. To determine the annual Capital Strategy report.
5. To ensure that programme managers produce a realistic expenditure profile for all capital schemes for which they have responsibility.
6. To assess any in year demands to increase the capital programme, being mindful of any impact on the revenue budget.
7. Monitor and review the progress of projects through the Concerto system and provide the necessary leadership to ensure that Concerto is being used to its full potential.
8. To discuss any ad hoc items that might be of relevance in the context of the capital programme.
9. The Group should review the risks managed in respect to completed Capital Projects and undertake a formal assessment to identify areas where the programming and monitoring can be improved and also areas of good practice.

Treasury Management Strategy Statement 2016-19

1. BACKGROUND

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

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

1.3 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 Annex A), stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

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

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

- Treasury Management Strategy for 2016/19.
- Annual Investment Strategy for 2016/17
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Prudential Indicators for 2016/17, 2017/18 and 2018/19
- 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, sometime known as internal borrowing.
- 2.2 The Authority's current level of debt and investments are set out in Annex 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-16	31-Mar-17	31-Mar-18	31-Mar-19
	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Capital Financing Requirement (CFR)	338	336	320	305
Less: Existing Profile of Borrowing and Other Long Term Liabilities	247	237	226	217
Cumulative Maximum External Borrowing Requirement	91	99	94	88
Usable Reserves	82	77	72	67
Cumulative Net Borrowing Requirement	9	22	22	21

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

3. BORROWING STRATEGY

- 3.1 The Authority as at 31st December 2015 held £197 million of longer term loans, a decrease of £7 million from March 2015, 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 £99m in 2016/17. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £345 million, as per Annex D, Table G.
- 3.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 3.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 3.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the short term as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. 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 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.5 Alternatively, the Authority may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 3.6 In addition, the Authority may borrow short-term to cover unexpected cash flow shortages.
- 3.7 The approved sources of long term and short term borrowing are:
- Public Works Loan Board (PWLB) and its successor body
 - Local authorities
 - Any institution approved for investments
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds (with the exception of Merseyside Pension Fund)

- Capital market bond investors
 - UK Municipal Bonds Agency Plc and other special purpose companies created to enable joint local authority bond issues
 - Leasing
 - Private Finance Initiative
- 3.8 At present, the PWLB remains the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide, however the Authority continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.
- 3.9 The Department of Communities & Local Government (CLG) has now confirmed that HM Treasury (HMT) are taking the necessary legislative steps to abolish the Public Works Loan Board (PWLB) in the coming months. This development is purely being taken to address the governance of the PWLB. The CLG have stated that it will have no impact on existing loans held by local authorities or the government's policy on local authority borrowing. Despite its abolition, HMT has confirmed that its lending functions will continue unaffected albeit under a different body. LAs will continue to access borrowing at rates which offer good value for money. Borrowing from the new successor body will be via a similar process to the one that currently exists.
- 3.10 The Local Government Association (LGA) Bond Agency: UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

Type of borrowing

- 3.11 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

- 3.12 The Authority has £155m of exposure to LOBO loans (Lender's Option Borrower's Option) of which £140m of these can be called within 2016/17. A LOBO is called when the lender exercises its rights to amend the interest rate

on the loan at which point the borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion. This refinancing risk is mitigated by the low interest rate climate, which has now been in existence for a number of years.

- 3.13 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

- 3.14 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.

- 3.15 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

- 3.16 The affordability, prudence and sustainability of borrowing plans will be regulated by a range of Prudential Indicators, which can be found in Annex D.

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

4. ANNUAL INVESTMENT STRATEGY

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

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

- 4.3 As at 31st December 2015, the Authority held £61 million of invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £55 million and £103 million. A similar range in investment level is expected in the forthcoming year, depending of the levels of grant received and the payment profiles.
- 4.4 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 Annex C, subject to the cash and time limits shown.
- 4.6 In the past, if a bank failed then the Government could intervene to rescue the bank using public money via a 'bail-out'. A 'bail-in' allows regulatory authorities to keep a failing bank open for essential business, but passes the cost of that failure onto investors instead of taxpayers via a bail-out. Previously, bondholders and depositors would only lose money if a bank entered insolvency. Under a bail-in regime, the regulator can take a proportion of bonds and deposits to reduce a bank's liabilities and therefore increase its equity capital. As an investor, the council could be subject to such a loss on an investment, should a bank fail in the future.
- 4.7 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016. Secured bonds are exempt from bail-in. However, traditional local authority term deposits and call accounts do not fall under this category. The loss incurred by creditors depends on the bank's actual losses and the proportion of secured bonds and other liabilities that are exempt from a bail-in. The greater these elements are, the higher the loss to the creditor.
- 4.8 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2016/17. This is especially the case for funds that are available for longer-term investment. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds.
- 4.9 **Banks Unsecured Investments:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are

restricted to overnight deposits at the Authority's current account bank [Lloyds Bank plc].

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

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

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

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

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

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

Other Organisations: The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may

provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's Treasury Management advisor.

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

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

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

4.11 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.

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

4.13 **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 BBB+ 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.

4.14 **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 Annex C.

4.15 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.

4.16 **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 Annex C. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

4.17 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.

4.18 **Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.

4.19 **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.

4.20 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 OBLIGED BY CIPFA OR CLG TO BE INCLUDED IN THE TREASURY MANAGEMENT STRATEGY

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

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

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

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

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

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

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

During 2015/16 these services were provided by Arlingclose. A competitive tendering exercise will be completed to appoint an advisor for 2016/17.

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 2016/17 the total amount borrowed will not exceed the authorised borrowing limit of £345 million as per Annex D, Table G. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

6. INTEREST RATE FORECAST

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

7. POLICY ON DELEGATION

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

7.2 On a day to day basis the Treasury Management Team within 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 Principal Accountant for Transformation and Resources 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 Annex 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 Principal Accountant 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 The Council will produce an Outturn Report on its treasury activity no later than 30 September after the financial year end.

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.

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	Current Portfolio
	as at 31 Dec 15
	£m
External Borrowing:	
Fixed Rate – PWLB	39
Fixed Rate – Market (LOBO and Other Loans)	158
Variable Rate – PWLB	0
Variable Rate – Market	0
Total External Borrowing	197
Other liabilities:	
PFI	50
Finance Leases	0
Total Other Long-Term Liabilities	50
Total External Debt	247
Investments:	
<i>Managed in-house</i>	
Deposits with Banks and Building Societies	33
Deposits with Money Market Funds	23
Deposits with other Public Sector Bodies	3
Deposits in Supranational Bonds and Gilts	0
<i>Managed externally</i>	
Royal London	1
Payden Sterling Reserve	1
Total Investments	61
Net Borrowing Position	186

APPROVED INVESTMENT COUNTERPARTIES

Investment Limits

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

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

Non-Specified Investments Limits

	Cash limit
Total long-term investments i.e. longer than 364 days	£30m
Total investments without credit ratings or rated below [BBB+]	£15m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [AA+]	£20m

Group Investment and Industry Sector Limits

	Cash limit
Any single organisation, except the UK Central Government	10% each
UK Central Government	unlimited
Any group of organisations under the same ownership	10% per group
Any group of pooled funds under the same management	25% per manager
Negotiable instruments held in a broker's nominee account	35% per broker
Foreign countries	20% per country
Registered Providers	25% in total
Unsecured investments with Building Societies	10% in total
Loans to unrated corporates	10% in total
Money Market Funds	50% in total

PRUDENTIAL INDICATORS AND MRP STATEMENT 2016/ 2017

1. Background

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

2. Estimates of Capital Expenditure

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

Table A:

	2015/16	2015/16	2016/17	2017/18	2018/19
	Approved	Revised	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Expenditure	50,054	46,917	48,907	17,655	1,770

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

Capital Financing	2015/16	2015/16	2016/17	2017/18	2018/19
	Approved	Revised	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Unsupported Borrowing	19,090	14,964	17,652	2,040	1,720
Capital Receipts	12,693	8,621	13,339	2,414	0
Capital Grants	17,734	22,760	16,912	13,135	0
Revenue Contribution	537	572	1,004	66	50
Total Financing and Funding	50,054	46,917	48,907	17,655	1,770

3. Incremental Impact of Capital Investment Decisions:

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

Table B:

Incremental Impact of	2015/16	2016/17	2017/18	2018/19
Capital Investment	Approved	Estimate	Estimate	Estimate
Decisions	£	£	£	£
Increase in Band D Council Tax	3.37	13.05	9.88	1.55

4. Ratio of Financing Costs to Net Revenue Stream

The estimate for interest payment in 2015/16 is £9.6 million and for interest receipts is £0.3 million. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability. It highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meeting borrowing costs. The ratio is based on costs net of investment income.

Table C:

Ratio of Finance	2015/16	2016/17	2017/18	2018/19
Costs to net	Estimate	Estimate	Estimate	Estimate
Revenue Stream	%	%	%	%
Ratio	8.79	9.7	10.7	11.6

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 its financing.

Table D:

Capital Financing	2015/16	2015/16	2016/17	2017/18	2018/19
Requirement	Approved	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
CFR	346	337	338	322	306

6. Gross Debt and the Capital Financing Requirement

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

The Authority had no difficulty meeting this requirement in 2015/16. In the short term this should still be the case but the margin significantly reduces if levels of internal borrowing are reduced. This view takes into account current commitments, existing plans and the proposals in the approved budget.

7. Actual External Debt

The Council's balance of Actual External Debt (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities) is forecast to be

£247m at 31st March 2016. 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 2015	2015/16
	£m
Borrowing	197
Other Liabilities	50
Total	247

8. The Authorised Limit

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

Table G:

Authorised Limit for External Debt	2015/16 Approved £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	356	359	347	332	317
Other Long-term Liabilities	63	65	63	61	59
Total	419	424	410	393	376

9. The Operational Boundary

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

Table H:

Operational Boundary for External Debt	2015/16	2015/16	2016/17	2017/18	2018/19
	Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
Borrowing	346	349	337	322	307
Other Long-term Liability	58	60	58	56	54
Total	404	409	395	378	361

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 I:

	2015/16	2015/16	2016/17	2017/18	2018/19
	Approved	Revised	Estimate	Estimate	Estimate
	%	%	%	%	%
Lower Limit for Fixed Interest Rate Exposure					
Borrowings	0	0	0	0	0
Investments	0	0	0	0	0
Upper Limit for Fixed Interest Rate Exposure					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
Lower Limit for Variable Interest Rate Exposure					
Borrowings	0	0	0	0	0
Investments	0	0	0	0	0
Upper Limit for Variable Interest Rate Exposure					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100

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

11. **Maturity Structure of Fixed Rate Borrowing**

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

Table J:

Maturity structure of fixed rate borrowing	Lower Limit	Upper Limit
	2016/17	2016/17
	%	%
Under 12 months	0	80
12 months and within 24 months	0	50
24 months and within 5 years	0	50
5 years and within 10 years	0	50
10 years and over	0	100

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

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

Table K:

	2015/16	2015/16	2016/17	2017/18	2018/19
	Approved	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£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 and its sovereign
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

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

14. Adoption of the CIPFA Treasury Management Code

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

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

2016/17 MINIMUM REVENUE PROVISION (MRP) STATEMENT

- 1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's (DCLG) Guidance on Minimum Revenue Provision most recently issued in 2012.
- 1.2 The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 The DCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.
- 1.4 For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £11.5 million. (Option 1 in England & Wales)
- 1.5 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments starting in the year after the asset becomes operational (Option 3 in England and Wales).
- 1.6 For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 1.7 Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.
- 1.8 The MRP Statement will be submitted to Council before the start of the 2016/17 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2016, the budget for MRP has been set as follows:

	31.03.2016 Estimated CFR £m	2016/17 Estimated MRP £m
Capital expenditure before 01.04.2008	171.7	6.4
Supported capital expenditure after 31.03.2008	10.1	0.4
Unsupported capital expenditure after 31.03.2008	55.7	2.5
Finance leases and Private Finance Initiative	50.5	2.4
Transferred debt	49.6	4.9
Loans to other bodies	0	Nil
Total General Fund	337.6	16.6

Arlingclose's Economic and Interest Rate Outlook

Underlying assumptions:

- UK economic growth softened in Quarter 3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of Gross Domestic Product (GDP) growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the Monetary Policy Committee (MPC).
- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The Consumer Price Index (CPI) rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, The Federal Reserve raised interest rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

Forecast:

- Arlingclose forecasts the first rise in UK Bank Rate in Quarter 3 of 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year.

Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.

- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

ANNEX 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:

Head of Financial Services – Tom Sault

Head of Branch (Planning & Resources) – Andrew Roberts

Senior Finance Manager – Peter J. Molyneux

Senior Finance Manager – Jenny Spick

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COUNCILLOR TONY SMITH

CABINET

22 February 2016

SCHOOLS BUDGET 2016/17

Councillor Phil Davies, Leader of the Council - Strategic and Policy Oversight, said:

The performance of Wirral schools continues to go from strength to strength. We committed in our Wirral Plan to do all we could to continue to support our schools and ensure that every child in the borough has the opportunity of a good education, and good career. I am pleased to recommend this schools budget for 2016/17 to Cabinet.

REPORT SUMMARY

This report sets out the Schools Budget for 2016-17 including the changes made by the Schools Forum on 13th January and recommends a change in the treatment of School Staff redundancy costs from September 2016.

The Schools Budget covers education provision for all Wirral pupils aged up to 16 in Early Years, Primary, Secondary and Academy schools and for pupils in some cases up to the age of 25 in Special Schools and High Needs providers

Most budgets are delegated to schools, with some central provision for support services including school admissions, PFI, School Intervention and High Needs additional support.

The costs of School Redundancies are at present mainly funded by the Local Authority. From September 2016 it is proposed that only those redundancy costs in respect of schools experiencing falling rolls (limited to 75%) will be funded centrally.

The approval of this budget is a Key Decision.

RECOMMENDATION/S

Cabinet recommends the Schools Budget of £243,273,400 to Budget Council having taken account of the views and changes proposed by the Schools Forum that:

- The contributions to Combined Budgets should be £1,698,800

- The use of Dedicated Schools Grant (DSG) reserves totalling £568,900 to set the Schools Budget
- The Schools Funding Formula is submitted to the Education Funding Agency and its make-up is unchanged from decisions made in previous years
- That the permanent changes to High Needs Places are agreed together with the allocation of High Needs Growth of £532,000
- The necessary steps are taken to trade or cease services when direct central funding is withdrawn at the end of the Summer Term for Minority Ethnic Support, City Learning Centres and Wellbeing
- Following consultation and discussion with schools and the Schools Forum the school redundancy policy is changed with effect from September 2016. In future the only costs that will be supported centrally will be where staffing decisions are taken as a result of falling school rolls. All other redundancy or severance costs will be charged to the delegated schools budget concerned.

1.0 REASON FOR THE RECOMMENDATION

Council has a legal requirement to set a schools budget for the following financial year.

OTHER OPTIONS CONSIDERED

Schools Forum when considering the Schools Budget made a number of changes which are included in this report. With regard to the costs of school redundancies an alternative date for this to be introduced of September 2016 has been made, based on the views expressed, however a further option whereby implementation would be phased has not been proposed.

2.0 BACKGROUND INFORMATION

- 2.1 The Schools Forum were asked for their views on and approval of the Schools Budget for 2016-17 on 13th January 2016. The budget of £243,273,400 is for early years, maintained schools, academies, colleges and providers and is based in Dedicated Schools Grant allocations issued by the Department for Education on 17th December 2015, reserves and a council contribution to PFI costs of £586,500.
- 2.2 The national basis of the Dedicated Schools Grant (DSG) is the “Spend Plus” methodology introduced in 2006 and the same overall amounts per pupil that have been paid in the previous 4 years “flat cash”.
- 2.3 Within DSG of £242m there are three unringfenced spending blocks for each authority:
 - Early Years Block £16m
 - Schools Block £192m
 - High Needs Block £34m
- 2.3.1 These funding blocks indicate the levels of expenditure anticipated in each area, however local spending decisions can reallocate resources according to needs and priorities.
- 2.3.2 The allocations for the Schools Block have been updated for changes in pupil numbers and include academies. Pupil numbers are those recorded in the October 2015 census.
- 2.3.3 Early Years funding including 2 year olds, is based on a combination of the census in January 2016 and January 2017. The dates for the Early Years Census mean that the exact DSG will not be finalised until June 2017.
- 2.3.4 The High Needs Block provides a cash based allocation to fund all high needs students aged 0 – 24, including the Hospital School. The allocation includes growth of £532,000 and has been used to make adjustments to high needs places, top ups and a number of changes that are described later in this report.

2.3.5 The Blocks can be summarised as follows:

	Block	Pupil Numbers	Funding Per Pupil £	Allocation £
1.	Schools Block	42,517	4,533.28	192,741,000
2.	Early Years Block	3,082	3,816.57	11,763,000
	2 Year Old funding	940 / 1,128	4,626.50	3,656,000
	Early Years Pupil Premium			170,000
3.	High Needs Block			33,726,000
	NQT induction			62,000
Total				<u>242,118,000</u>

The funding blocks for Schools, Early Years and High Needs will be at the centre of the government's proposals and consultation on a National Funding Formula for schools to be implemented from 2017-18.

2.4 Schools Block £193m

This funding covers the delegated budgets to mainstream schools and academies totalling £187m. In addition the block funds a number of budgets that are managed centrally on behalf of schools:

- Admissions
- Schools Forum
- Capital Expenditure from Revenue (Planned Programmed Maintenance (PPM) and Private Finance Initiative (PFI) costs)
- Contributions to combined budgets
- Schools budget retirement costs (school closure)
- School Licences

In line with national guidance and with the exception of PFI, these central budgets have not been increased.

2.5 Early Years Block £16m

This Block funds the costs of Early Years Education for 2, 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). There are small elements covering SEN costs and some central Early Years support costs.

2.6 High Needs Block £34m

The make up of this block is complex. It is based on the "place plus" funding system introduced by the DfE from April 2013 and includes:

- Special schools (pre and post 16), school bases and non-maintained special schools. All receive a base level funding of £10,000 per place.
- Alternative Provision Bases and Emslie Morgan Academy funding of £10,000 per place.
- Additional funding over and above that provided for places in the form of "top ups" provided on a per pupil basis. The top up, or "plus" element of funding, takes account of 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. Wirral's top up system uses 5 bands to allocate funding across special schools, resourced bases and alternative provision. Non-maintained Special Schools also receive a top up.

- The costs of Top Ups for all education and training for post 16 specialist provision for Learners with Learning Difficulties or Disabilities (LLDD) in colleges and private providers.
- The Hospital Schools budget
- The cost of placements in Independent Special Schools
- The costs of Education, Health and Care Plans / Statements.

2.7 Other Block

This funding reflects costs of monitoring and quality assuring Newly Qualified Teacher induction.

2.8 2016-17 Budget Changes

Proposed 2016-17 Schools Budget savings

Unlike previous years there are no specific budget savings that are proposed as part of the Schools Budget report.

2.8.1 Primary, Secondary and Academy Budgets

The significant changes within this area are:

- The net increase in school rolls, resulting in an overall budget increase of £1,053,000. There are 329 more pupils on roll in October 2015 compared to October 2014. The estimated secondary numbers for pupils aged 11-15 are now static having fallen over the past decade.
- An increase for Primary Special Staff costs of £50,000 (maternity) and the costs of supporting the Free School Meals (FSM) eligibility checks £10,000.
- An increase in rates payable of £89,500. There is an overall price increase reflecting inflation and increases resulting from the transfer of Children's Centres.
- There is a small amount of Headroom within the budget £352,500. This arises from a difference between the pupil funding received in DSG for rising primary rolls and the primary funding allocated within the Individual Schools Budget (ISB).
- The Primary and Secondary school budgets continue to be supported by reserves. £380,000 will be used in 2016-17 (reduced from £732,500)
- There is no anticipated change to the overall funding per pupil arising from the above. Where changes are experienced at a school level this results from changes in pupils or in pupil characteristics eg attainment or deprivation / FSM's.

2.8.2 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.

2.8.3 High Needs Places £14.7m

Guidance earlier in the year from the Education Funding Agency (EFA) indicated there would be no move to place led funding being determined automatically by lagged pupil data. Instead the places in specialist provision continue to be determined by each local authority with flexibility to make adjustments so that they broadly reflect take up by pupils. A number of place changes were considered by the Schools Forum. These changes confirm those made on a temporary basis in the budget last year, together with a number of additional proposals. All have now been reflected in the budget as follows:

Changes made in 2015-16

Kilgarth increase by 5 places to 55
Observatory School increase by 5 places to 55
Elleray Park increase by 9 places to 99
Stanley increase by 9 places to 99

Further changes from September 2016

Elleray Park increase by 11 places to 110
Stanley increase by 21 places to 120
Lyndale reduction of 40 places
Claremount increase by 10 to 204
Enhanced Resource Provision:
Bebington reduce by 5 to 20
Birkenhead Park reduce by 10 to 10
Kingsway Academy reduce by 10 to 20

There are no changes proposed to the Hospital School

2.8.4 Early Years £14.9m

The DfE anticipate there are 1,568 children aged 2 who are eligible to receive Early Education. The budget for 2 year olds in this areas is based on 75% of those eligible taking up the offer. Over the course of the coming year it is expected that this level will increase to 90%.

The provision for 3 and 4 year olds based on 3,082 fte pupils will roll over at its current maximum level.

The estimated take up of the Early Years Pupil Premium has been included at £170,000 (reduced from its budget in 2015-16 of £357,000). The overall numbers claiming have not been as great as anticipated.

Flat cash settlements mean there are no planned changes to the rates or bands within the Early Years Single Funding Formula or the formula funding 2 year olds at this time.

2.8.5 SEN Top Ups £17.4m

The proposed budget for SEN Top Ups is £17.4m. Growth of £532,000 has been allocated to increased places in maintained and Independent Special Schools and to increased top ups.

SEN Top Ups 2016/17

Statements	Early Years	292,200
Primary		1,442,000
Secondary (including 6th Forms)		1,780,000
Personal Budgets		108,700
Other		226,500
Top Ups	Special Schools (and 6th Forms)	6,406,300
	SEN units - resourced and alternative provision	602,000
	EMAP	243,800
	Further Education, 6th Form College and other providers	728,000
	Exceptional Need	710,000
	Support costs	11,700
	Contingency	474,000
	Independent Non Maintained Special Schools	3,689,000
	Home Teaching	308,900
	Everton Free School and 6 th Form element 2 (EFA)	434,000
	Total	17,457,400

Changes in costs which have been identified as part of the budget review are:

- **Special Schools.** The top up budgets have been increased by £220,700, reflecting additional numbers at Stanley, Elleray Park, Claremount and Foxfield.
- **Statements.** A net reduction of £158,600. The budget anticipates that the current numbers will continue into 2016-17 with an adjustment for changes / increases in the overall school roll.
- **Independent Special Schools.** An increase of £305,700. The number and cost of placements have increased during the last year. There are currently 91 places, just over half of which are at West Kirby Residential School. The proposed budget takes account of these numbers and makes provision for a further 9 part year places.
- **Further Education and 6th Form College.** A small reduction of £14,700, reflecting a reduction in high cost placements and some changes across service providers.
- **Exceptional Need** an increase of £260,800. There are increasing numbers and costs, arising from the complexities and challenges supporting children with high needs. Of the growth required £189,000 will be funded from reserves whilst the budget and future commitments are reviewed.
- **Contingency.** The contingency of £474,000 covers the potential costs of:
 - The 90% guarantee to maintained schools to limit the demands on low cost high incidence SEN budgets used to support statements.
 - Any unforeseen consequences arising from top ups, exceptional cases or the review of High Needs.
 - Any mismatch between provider places and places taken up.
 - Inflationary pressures within Non Maintained Special Schools.

There are significant budget pressures which have been eased by growth within the High Needs Block Grant allocation. However this growth alone is not sufficient and does not address all needs. The use of reserves provides some temporary funding whilst a more permanent solution is sought. The area will be reviewed and changes / updates to the budget will be the subject of discussion with the Forum.

2.9 Use of Reserves

DSG reserves held total £3.5m and were agreed as part of the year end accounts for 2014-15. The Schools Budget for 2015-16 plans to use £1.5m of these.

In the 2016-17 budget £568,900 of reserves will also be used.

The remaining reserves of £1.4m are held mainly for the costs of pay harmonisation together with a remaining balance of £600,000.

2.10 Other Grant Funding

In addition to DSG all schools receive a Pupil Premium providing funding targeted to deprived pupils. Now in its sixth year there are only minimal changes planned.

The meal rate for Universal Infant Free School meals will stay at £2.30 per meal for the academic year 2016-17.

The SEND Implementation Grant will continue (with increased funding) to support the implementation of the new SEND reforms.

The funding for Primary PE and Sport and Extended Rights for Home to School Transport continue.

The Education Services Grant, (funding for School Improvement, Education Social Workers, Premature Retirement Costs, statutory duties and funding for academies) has been cut; from £87 to £77 per pupil. This reduction is part of the first steps to achieve the £600m savings announced in the November Spending Review.

2.11 Academies

Currently there are 15 secondary academies, 2 primary academies and 1 Alternative Provision Academy – Emslie Morgan. Academies are independent from the local authority and are funded directly from the EFA, however Regulations require Wirral to continue to calculate their budgets in order to determine the total grant reduction for Wirral this is estimated to be £67m in 2016-17.

2.12 Minimum Funding Guarantee (MFG)

The MFG will continue in 2016-17, protecting schools from large formula changes and changes in pupil data. The MFG rate remains at minus 1.5%.

It is likely that the MFG will continue for some time and will be a feature of future funding reforms.

3.0 INFLATION

3.1 No direct provision is included within the budget for pay awards. At this stage a 1% award for teaching and support staff is anticipated, together with an increase in National Insurance contributions from 10.4% to 13.8%. The additional costs arising from these changes in schools together with the full year effect of changes in 2015-16 will need to be met from existing school budgets.

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.

4.0 CENTRALLY HELD SCHOOL BUDGETS

4.1 The budgets held for Contingency, Special Staff (maternity and trade union facilities time), the School Library Service, Insurance (Governors Aided), Behaviour Support, the Minority Ethnic Achievement Service (MEAS) and FSM Eligibility have been delegated to schools.

With the exception MEAS and Trade Union Facilities' Time (Secondary Schools only) maintained Primary and Secondary Forum representatives agreed to the de-delegation of these budgets which would be held and managed centrally on their behalf Central funding is provided for MEAS for the summer term only. Discussions around future provision will focus on the developing a traded service.

The remaining centrally held budgets for 2016-17 cover:

- the continuing premature retirement costs of teachers and staff that have arisen from closing schools (£86,000 a reduction of £40,000)
- the cost of licences for copyright and music in all schools and academies resulting from a national agreement (£223,800 a reduction of £30,200)
- School Admissions including administering the 11+ (£341,800)
- Planned Programmed Maintenance (PPM £249,000)
- The PFI Affordability Gap (£2,886,500) an increase of £150,000 which is LA funded.
- Schools Forum £10,600
- Early Years £378,700
- Contributions to combined budgets (£1,698,800).

4.2 Contributions to Combined Budgets

School Funding Regulations allow contributions to support services that would otherwise fall outside the Schools Budget. These budgets combine with other council resources for the educational benefit of children. Regulations state that there must be no new commitments or increases in expenditure from that in 2012-13.

The budgets in this area are:-

- **Discretionary Rate Relief £106,600**

This budget funds continuing costs for Discretionary Rate Relief in Voluntary Aided schools.

- **School Improvement £359,900**

This supports the funding for a number of consultant teachers who work with schools, School Improvement Associates, governor support, Evolve, training and the resourcing of equipment and facilities.

- **Local Safeguarding Children's Board £30,000**

The LSCB provides governance of child protection arrangements, undertakes serious case reviews, training and employs a Designated Officer for Allegations. The Board is funded from partner organisations including Social Care, Schools, Police, Health and Probation. The £30,000 contribution from the Central Schools Budget matches the amount received from Health. There is also a £10,000 contribution from the High Needs Budget.

- **School Intervention £674,500**

This budget provides additional funding within School Improvement to support priorities in targeted schools during the year.

- **LACES £140,500**

The service reviews the educational progress of Looked After Children, provides training to staff and some direct support to pupils.

-

- **City Learning Centres £304,700**

The 3 City Learning Centres had a combined budget of £694,700 in 2015-16 together with £120,000 from the Council's capital programme (for upgrades to high value equipment). Forum members did not vote to maintain this budget allocation beyond July 2016. The central PFI costs however of £108,000 will be retained

- **Miscellaneous £82,600**

- These amounts support the Governors Forum, school wellbeing, the School Staff Survey and the PFI Support Team. Forum members did not vote to support the provision for Wellbeing and School Staff surveys beyond the Summer Term.

Combined Budget Summary	£
Discretionary Rate Relief top ups	106,600
School Improvement	359,900
LSCB Contribution	30,000
School Intervention	674,500
City Learning Centres	304,700
LACES	140,500
Wellbeing and School Staff Surveys	18,600
Governors Forum	2,200
PFI Support Team	61,800
Total	1,698,800

5.0 Changes to School Redundancy Policy from September 2016

5.1 Schools seek to reduce their workforce and in certain circumstances to make staff redundant for a number of reasons including:

- School closure, merger, federation.
- Changes in school funding.
- Restructure.
- Falling school rolls.
- Other such as changes in school curriculum.

Schools contribute 25% to the cost of redundancies and the LA fund the remaining 75%. This position is in respect of maintained schools only; academies pay all redundancy costs from their budget allocation from the Education Funding Agency (EFA).

5.2 In 2015-16 the LA has a budget of £128,300 to meet its share of school redundancy costs. This has been benchmarked with statistical neighbours as follows:

Spend per capita – Wirral	£4
Statistical Neighbours	£1
England average	£5

Redundancy costs in previous years are:

School Redundancy Costs

	2013-14		2014-15	
	LA £000	Schools £000	LA £000	Schools £000
Falling Rolls	180	60	100	33
Restructure	22	6		
Deficit	1		70	24
Fund changes	6	2	4	1
Other	18	6	27	9
Total	227	74	201	67
Number	30		22	

5.3 The changes being considered, which are similar to many other authorities will restrict this funding so that in future the LA only fund 75% of redundancy costs where:

- The school has or has had significant falling rolls.
 - Falling rolls are evidenced.
 - Evidence is provided that where there are falling rolls that there is a planned reduction / restructure.
 - The decision to make redundancies is taken in consultation with LA finance, HR and School Improvement staff.

The LA will not consider funding redundancies and severance costs where the deficit has arisen for other reasons such as formula changes or the impact of inflationary increases.

5.4 The Education Act 2002 sets out the legal framework for the treatment of redundancies' and associated costs in schools. The act states that costs incurred in respect of the dismissal of staff in school should not be met from school budget shares unless the authority has good reason for doing so. The School Revenue Funding guide by the EFA provides further advice and prevents any new redundancy costs being charged to central school budgets.

The reasons that redundancy costs could be charged to school budgets follow on from the implications of flat cash budgets and the need to make cost reductions. These have been known for some time, having been a feature of school finances since 2011 and widely understood / reported.

During this time schools have taken action to review staffing levels and contracts, reduce spend and where possible increase balances / reserves. Whilst increases in pay costs next year are significant, they have been known or anticipated and will have been a feature in school budget planning.

5.5 There have been briefings with Headteacher groups and governors about these changes and a short consultation has been undertaken with schools. Although only

limited responses were received the subsequent discussions at Schools Forum confirmed support to continue funding for redundancy costs associated with falling school rolls. Comments on the other proposals to change the policy were wide ranging and consistently negative. Schools commented on the additional burden this would place and the impact this would have on their ability to pay and attract experienced staff. Schools also questioned the LA's statutory obligation to meet these costs

Most schools suggested that the date of April 2016 for introduction should be deferred, since any impending decisions that schools would take in the current academic year could not be made before then. Similarly schools commented that the changes should be introduced more gradually. These views were supported by Forum members.

Taking account of the comments from schools and the Forum the report recommends that the changes described are deferred until September 2016, but are not phased. This will provide a timescale whereby budget planning and restructure decisions can be taken where needed under the old policy. Whilst this is likely to result in additional costs in excess of the current budget, there is an existing reserve with an uncommitted balance of £300,000 which would support additional costs.

6.0 FINANCIAL IMPLICATIONS

6.1 The budget for 2016-17 is compiled from the base budget for 2015-16 approved by Council on 24th February 2015 and updated for any issues identified in this report.

The projected budget (DSG, reserves and council contribution) is £243,273,400 and is shown in Appendix 1.

7.0 LEGAL IMPLICATIONS

7.1 The Council is required to agree a Budget for 2016-17 and to inform Primary and Secondary Schools of their individual budget allocations by 28th February (Special Schools and Early Years providers by 31st March)

8.0 RESOURCE IMPLICATIONS: ICT STAFFING AND ASSETS

8.1 The Schools Budget makes some limited provision for staff providing support to schools, mainly within budgets for Special Education Needs and Disabilities. Most staff however are employed directly by schools where these decisions are made by governing bodies.

8.2 Schools continue to receive some funding for assets and ICT through Formula Capital Grant Allocations. Most asset funding is directed through the Council's Capital Programme and includes school schemes funded by capital grant allocations for Condition and Basic Need.

9.0 RELEVANT RISKS

9.1 There are increasing cost pressures in schools arising from "flat cash" budgets. The additional costs arising from pay awards, pension increases and national insurance changes (adding about 5% to next years school pay bill) will not be met from increased budget allocations, instead they will need to be found from efficiency savings. With the exception of Pupil Premium the funding available for schools has not

increased since 2011. These cost pressures are causing significant difficulties for schools across the country and Wirral is no exception.

Reports to the Schools Forum have indicated that without remedial action more than half of schools may have a deficit budget by March 2017 and that balances could reduce to an overall deficit of £2m. Action is being taken to address the position and to agree a course of action with those schools and governing bodies concerned.

10.0 ENGAGEMENT AND CONSULTATION

10.1 The Budget has been considered by the Schools Forum. The implications for individual schools have been discussed with governors and headteachers. Similarly the changes to redundancy policies have been discussed and have been the subject of a short consultation.

11.0 EQUALITY IMPLICATIONS

11.1 The budget and proposals contained in this report are supported by an Equality Impact Assessment.

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APPENDICES Appendix 1 Schools Budget variations
Appendix 2 Schools Budget summary

SUBJECT HISTORY

Schools Forum - Schools Budget Report 2016-17	13 th January 2016
Cabinet Schools - Budget 2015-16	10 th February 2015
Schools Forum - Schools Budget Report 2015-16	14 th January 2015
Cabinet – Schools Budget 2014-15	14 th February 2014
Schools Forum - Schools Budget 2014-15	22 nd January 2014

Schools Budget Summary**2016-17**

	£000
Dedicated Schools Grant	242,118
Use of DSG and other reserves	569
Total Grant Funding	<u>242,687</u>
Schools Budget Base Expenditure	172,745
Add back 2015-16 Academy and High Needs baseline	69,532
	<u>242,277</u>
Change in ISB costs	
Net rising rolls	1,053
Special Place changes	124
Rates	90
Net Headroom	353
Reduction in reserves	(353)
Early Years provision for 2 year olds	(691)
Early Years Pupil Premium	(187)
Delegated CLC and Wellbeing Budgets	377
	<u>766</u>
Changes in SEN / High Needs Costs	
Reduction in Statements / EHCP's	(159)
Special School top ups	221
Alt.Provision Top Up and Place changes	(171)
Independent Special School Top Ups	306
Exceptional Needs	261
Transfer CLC and Wellbeing Budgets	39
	<u>497</u>
Other Changes in Central Costs	
Cease central CLC and Wellbeing Budgets	(416)
Increase (inflation) re PFI contracts	150
Special Staff costs and FSM eligibility	70
Licences	(30)
School Closure	(40)
	<u>(266)</u>
Total Schools Expenditure	<u>243,274</u>
Net Schools Budget	587

EDUCATION – SCHOOLS

	Base Estimate 2015-16 £	Base Estimate 2016-17 £
Individual Schools Budget		
Primary Schools	93,028,400	97,465,500
Secondary Schools	26,045,600	89,605,800
Special Schools	8,733,400	9,921,700
SEN Bases	1,616,800	2,584,500
EMAP	-	800,000
Wirral Hospital Schools	1,352,300	1,356,300
Early Years	15,750,000	14,872,000
Individual Schools Budget Total	146,526,500	216,605,800
Central School Costs		
Early Years	378,700	378,700
Admissions	341,800	341,800
School closure / retirement costs	126,000	86,000
Licences and subscriptions	254,000	223,800
Schools Forum	10,600	10,600
Contribution to Combined Budgets	2,114,800	1,698,800
PPM	249,000	249,000
PFI Affordability Gap	2,736,500	2,886,500
Costs delegated to schools		
Library Service	191,700	191,700
Insurances	32,300	32,300
Minority Ethnic Achievement Service	244,600	104,100
School Specific Contingencies	104,300	104,300
Special Staff Costs	667,600	699,700
School Meals	13,600	21,200
Behaviour Support	92,200	92,300
High Needs Pupils		
Statements	4,008,000	3,849,400
SEN Top Ups	8,384,900	8,701,800
High Needs Contingency	474,000	474,000
Independent Special Schools	3,395,000	3,689,000
Home Tuition	308,900	308,900
Everton Free School and LCHI 6 th Form		434,000
Support for SEN	2,031,500	2,031,500
Special School Transport	58,200	58,200
Non delegated School Costs Total	26,218,200	26,667,600
Total School and Central Costs	172,744,700	243,273,400
Dedicated Schools Grant Total	(171,413,300)	(242,118,000)
Use of Reserves	(894,900)	(568,900)
Grand Total	436,500	586,500

Note – Base Estimate 2015-16 is after academy recoupment

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