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WIRRAL

Cabinet

Date:	**Monday, 26 June 2017**
Time:	**10.00 am**
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members of the Cabinet are asked to consider whether they have any disclosable pecuniary and/or any other relevant interest, in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

2. MINUTES

The minutes of the last meeting have been printed and published. Any matters called in will be reported at the meeting.

RECOMMENDATION: That the minutes be approved and adopted.

LEADER'S UPDATE

3. EXECUTIVE KEY DECISIONS TAKEN UNDER DELEGATED POWERS

Key Decisions – taken under delegated powers. Period 9 June, 2016 to date of agenda publication (15 June). No item(s) to report.

CABINET MEMBER REPORTS

4. FINANCIAL MONITORING OUT-TURN REPORTS FOR 2016/17 (Pages 1 - 40)

5. TREASURY MANAGEMENT MONITORING 2016/17 (YEAR END REPORT) (Pages 41 - 58)

6. COASTAL STRATEGY SCRUTINY REVIEW (Pages 59 - 82)

At its meeting on 18 July, 2016, the Environment Overview and Scrutiny Committee referred the Scrutiny Review on the Coastal Strategy to the Cabinet. A covering report, Overview and Scrutiny Committee minute and Scrutiny Review are attached.

7. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)

To consider any other business that the Chair accepts as being urgent.

8. EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC

The following items contain exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

9. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)

To consider any other business that the Chair accepts as being urgent.

WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **26 JUNE 2017** **FINANCIAL MONITORING** **OUT-TURN 2016/17**

Councillor Janette Williamson (cabinet Member for Finance and income Generation) said:

The continuing effective management of the Council's financial position throughout the year has helped the Council deliver an overall under-spend of £2.9 million in 2016/17 – a huge achievement considering our financial position.

'Our pro-active approach to treasury management has allowed us to provide additional funding to meet the rising demand for social care, in both Adults and Children's Services, and we have continued to improve our income collection performance.

'Our intentions in the Wirral Plan are clear and this is supported through investment from the Capital Programme. This year over £25 million has been used to support improvements to schools, improving roads and bridges, improving our popular leisure facilities and investing in our technology.'

REPORT SUMMARY

This report details the Out-turn for 2016/17 and concludes the reporting to Cabinet for the 2016/17 financial year. There are separate Appendices for Revenue (including details of the reserves), Capital (including resources used to fund the Programme) and the Collection Summary (including Council Tax, Business Rates and Sundry Debts).

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

RECOMMENDATIONS

1 Revenue

a) The Revenue Out-turn for 2016/17 which showed an underspend of £2.9 million be noted.
b) The transfer of the underspend to General Fund Balances be confirmed.
c) The General Fund Balances at 31 March 2017 of £25.7 million, with £15.7 million agreed to be used in the Budget 2017/18, be noted.
d) The Earmarked Reserves totalling £55.1 million as detailed in the Annex be confirmed.

2 Capital

a) The additional re-profiling of £6.3 million from 2016/17 to 2017/18 be noted.
b) The financing of the Programme for 2016/17 be noted.
c) The Programme for 2017/18 and beyond be kept under review to ensure it is realistic and deliverable.

3 Collection Summary

a) The increase in Council Tax in-year collection rate from 95.3% in 2015/16 to 95.4% in 2016/17 be noted.
b) The increase in Business Rates collection rate from 97.2% in 2015/16 to 97.6% in 2016/17 be noted.
c) The increase in Sundry Debts from £23.6 million at 31 March 2016 to £26 million at 31 March 2017 be noted.
d) That the sundry debts for Adults Social Services and Other Directorates detailed in the report be written-off against the Provision for Bad Debts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The full Statement is approved by Audit & Risk Management Committee on behalf of the Council. This report informs Cabinet of the key elements.

1.2 The Collection Summary provides details on income collection performance and any sums which are deemed irrecoverable need to be written off in accord with the authorisation processes set out in the Council Constitution.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts and agree the capital spend and financing at the end of the financial year.

3.0 BACKGROUND INFORMATION

3.1 Throughout the financial year Cabinet received Monitoring Reports in respect of Revenue (including income and debt collection) and Capital. This report is a summary of the actual out-turn for 2016/17.

3.2 The last monitoring reports were for Quarter 3 and were considered by Cabinet on 20 February 2017. Since the end of March work has been on-going in order to conclude the accounts for the financial year.

3.3 The detail contained within the Appendices informs part of the Annual Statement of Accounts for 2016/17. The Statement has to be issued before 30 June 2017. It is then subject to review by the appointed External Auditor (Grant Thornton UK LLP) and will be considered by Audit & Risk Management Committee on 25 September 2017. The Statement has to be published by 30 September 2017.

REVENUE OUT-TURN

3.4 Appendix 1 provides the detail of which the headlines are:-

3.4.1 Throughout the financial year Cabinet received Revenue Monitoring reports for each quarter. In setting the Budget for 2016/17 it was recognised that there were on-going financial pressures mainly within Adults and Children's social care and it was acknowledged that the savings programme was ambitious. These risks were recognised and mitigated through the Revenue Budget Contingency of £12 million.

3.4.2 The use of this Contingency was monitored through the regular Financial Monitoring reports to Cabinet. This was allocated to People comprising Adult Social Services (£3.9 million) and Children's Services (£5.25 million) and to Business comprising Assets (£0.5 million) and Remodelling (£1.7 million). At the end of the year the balance remaining of £0.65 million was reflected as an underspend.

3.4.3 The Monitoring report for Quarter 3 (Cabinet 20 February 2017) projected a General Fund underspend of £0.4 million and the final position for the year was an underspend of £2.9 million Whilst overspending was principally due to demand pressures within People for Adult and Children Care Services this was more than mitigated by underspending within Environment and Business Services. The latter largely attributable to the changes in Treasury Management and the adoption of the annuity method for calculating Minimum Revenue Provision (MRP) in respect of capital financing which resulted in a significant one-off saving in 2016/17.

3.4.4 The Outturn shows the final figure to be £25.7 million for General Fund Balances. This includes the release of Earmarked Reserves which was agreed as part of agreeing the Council Budget for 2017/18. However, of this sum £15.7 million has been agreed to be applied to fund the 2017/18 Revenue Budget so the net result is £10 million which is in line with the required level of Balances.

3.4.5 It should also be noted that the Balances will be supplemented in 2017/18 by the receipt of the Collection Fund surplus of £4.6 million. This will see the Balances available being £14.6 million which is above the target figure for General Fund Balances of £10 million for 2017/18.

3.4.6 During the year Earmarked Reserves decreased by £18.8 million (from £73.9 million at 31 March 2016 to £55.1 million at 31 March 2017). Over the last two years reserves have reduced by over £32 million which reflects their use to not only support specific projects but also, to support the annual Budget.

Category and Purpose	**£ million**
INSURANCE AND TAXATION	20.9
TRANSFORMATION	3.5
SCHOOLS RELATED	12.8
SUPPORT SERVICE ACTIVITIES AND PROJECTS	17.9

CAPITAL OUT-TURN

3.5 Appendix 2 provides the detail of which the headlines are:-

3.5.1 Capital spend includes a range of projects to enhance the Council assets with spend during the year of £25.3 million used to support the delivery of the Wirral Plan.

People

Investment to support younger people through improvements at schools which includes Mersey Park Primary School and Liscard Primary School.
Investment in the specialist school provision which has included works at the Observatory School and Stanley Special School.
Support for pre-school activities through the re-modelling and modernisation of Children's Centres.
Support for youth through the funding of the Wirral Youth Zone (The Hive) which opened in early April 2017.

Business

Modernise and upgrade the Council's IT facilities with this work continuing into future years through the implementation of the Digital Strategy.
Maximise the use of assets through the refurbishment of Council buildings leading to more effective use and the release of surplus buildings.
Maintain and enhance the road network including schemes on unclassified and residential roads.
Improvements to the bridge network with major investment into the Dock Bridges, which will continue over the coming years.

Environment

Encouraging healthy lifestyles and promoting the leisure and culture offer through improving facilities at the Marine Lake and in the parks.
Encourage healthy lifestyles through the schemes at the Tennis Centre and the Oval Sports Centre which have resulted in increased use of the centres.
Provide grant assistance towards essential aids and adaptations giving disabled people better freedom.
Support the provision of new and improved housing through the Home improvement project and new house-building programme.

3.5.2 The capital spend was funded from borrowing of £7.2 million, government grants of £11.8 million, useable capital receipts of £6 million and revenue/reserves £0.3 million.

3.5.3 Capital Receipts received in 2016/17 were £3.5 million with further progress made on the disposal of the major sites being Acre Lane, Manor Drive and the former Rock Ferry High School. At 31 March 2017 £5.5 million was available to support the Capital Programme (£2.5 million) and to support the Transformation Programme (£3 million).

COLLECTION (INCOME)

3.6 Appendix 3 provides the detail of which the headlines are:-

3.6.1 The Council Tax Collection Rate was 95.4% in 2016/17. Work backlogs reduced throughout the year and various steps were taken to improve processing time. As a consequence the in-year collection rate increased from 95.3% in 2015/16. A review of Single Person Discount awards was undertaken in January 2017, and at April 2017 resulted in the removal/cessation of 1,431 discounts, which has generated additional revenue of £0.4 million. Due to the timing of the review exercise, with ceases/amendments being made up to the end of March, this inevitably impacted on collection.

3.6.2 The Business Rates collection rate was 97.6% in 2016/17. This was an increase from 97.2% in 2015/16. This improvement was also against an increase in the sum collectable which increased from £76 million to £86 million. As reported last year the Valuation Office Agency finalised a number of outstanding assessments which included two major sites.

3.6.3 The level of Sundry Debt arrears was £26 million at 31 March 2017 which included £7.6 million of invoices raised in the final week of the financial year. At 31 March 2016 the arrears stood at £22.6 million which included £7 million of invoices raised in the final days of March. During 2016/17 invoices totalling £97.5 million were raised and income of £93.2 million collected including the Birkenhead Improvement District and Selective Licensing scheme processed through Debtors with the changes in Social Care funding resulting in deferred debtors increasing.

3.6.4 The Appendix also includes details of further write-offs comprising mainly Adult Social Services debtors. Whilst all attempts to recover debts are undertaken cases where the client has died with no, or limited, assets mean there is no prospect of recovery. The Provision for Bad Debts reflects the potential need to write-off debt.

4.0 FINANCIAL IMPLICATIONS

4.1 The financial implications are summarised as headlines in Section 3 and detailed within the Appendices.

5.0 LEGAL IMPLICATIONS

5.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The Accounts must comply with the Code Of Practice on Local Authority Accounting. There is a legal requirement to publish the Statement of Accounts each year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no staffing, IT or asset implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 There are none associated with the summary of the financial position for 2016/17. The position has been monitored throughout the year and has been the subject of monthly reports to Cabinet.

7.2 In respect of the collection of income this has been the subject of reports to Cabinet and the inclusion of items which are irrecoverable overstates the potential income which could be collected by the Council.

8.0 ENGAGEMENT/CONSULTATION

8.1 This is an end of year report. Consultation takes places as part of the planning and implementation of specific schemes or projects within the Council Budget and Capital Programme.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no implications arising directly from this report being a report on the overall financial affairs for the financial year just completed.

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APPENDICES

Appendix 1 Revenue Out-turn 2016/17.
Appendix 2 Capital Out-turn 2016/17.
Appendix 3 Collection Summary 2016/17.

REFERENCE MATERIAL

CIPFA Code Of Practice On Local Authority Accounting In The UK 2016/17.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2015.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Out-turn 2015/16	18 July 2016
Cabinet – Budget 2014/17	12 February 2014
Council – Budget 2014/17	25 February 2014
Cabinet – Budget 2015/18	10 February 2015
Council – Budget 2015/18	24 February 2015
Cabinet – Budget 2016/17	22 February 2016
Council - Budget 2016/17	3 March 2016
Cabinet – Revenue Monitoring 2016/17	Quarterly reports
Cabinet – Capital Monitoring 2016/17	Quarterly reports

APPENDIX 1

REVENUE OUT-TURN 2016/17

REPORT SUMMARY

This Appendix informs Cabinet of the Revenue Out-turn for 2016/17 including details of the level of General Fund Balances and Reserves at 31 March 2017.

RECOMMENDATIONS

a) The Revenue Out-turn for 2016/17 which showed an underspend of £2.9 million be noted.
b) The transfer of the underspend to General Fund Balances be confirmed.
c) The General Fund Balances at 31 March 2017 of £25.7 million, with £15.7 million agreed to be used in the Budget 2017/18, be noted.
d) The Earmarked Reserves totalling £55.1 million as detailed in the Annex be confirmed.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The full Statement is approved by Audit & Risk Management Committee on behalf of the Council. This Appendix highlights the key elements.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts by 30 September 2017.

3.0 BACKGROUND INFORMATION

MONITORING 2016/17

3.1 The 2016/17 Budget was agreed by Council on 3 March 2016. Changes since the approval of the Budget are detailed in the table and comprise variations approved by Cabinet / Council including virements; budget realignments reflecting changes to the Councils organisational structure and responsibilities; the allocation of savings and the contingency and technical adjustments.

Table 1: 2016/17 Original & Revised Net Budget by Plan Themes

Theme	Original Net Budget	Approved Changes	Revised Net Budget
	£000	£000	£000
People	152,155	4,137	156,292
Environment	58,578	4,766	63,344
Business	53,862	(7,303)	46,559
Net Cost of Services	**264,595**	**1,600**	**266,195**

3.2 Throughout the financial year Cabinet received Revenue Monitoring reports for each quarter. In setting the Budget for 2016/17 it was recognised that there were on-going financial pressures mainly within Adults and Children's social care and it was acknowledged that the savings programme was ambitious. These risks were recognised and mitigated through the Revenue Budget Contingency of £12 million.

3.3 The use of this Contingency was monitored through the regular Financial Monitoring reports to Cabinet. At the end of Quarter 1 £11.1 million was allocated to People comprising Adult Social Services (£3.9 million) and Children's Services (£5 million) and to Business comprising Assets (£0.5 million) and Remodelling (£1.7 million). A further £0.25 million was allocated to People for Children's Services Residential fees in October 2016. At the end of the year the balance remaining of £0.65 million was reflected as an underspend.

3.4 During the year the budget was increased by £1.6 million, funded from General Fund Balances, to meet the 2016/17 Adult Social Care Fees which were in excess of the amount set aside for this purpose and the reversal of the Passport for Life concession savings proposal.

3.5 A new organisational structure for the Council was agreed and implemented in 2016/17. Operational from November 2016 budgets were recast to reflect the change in the operational structure for internal management purposes.

3.6 The Monitoring report, for Quarter 3 (Cabinet 20 February 2017) projected a General Fund underspend of £0.4 million. Whilst overspending was principally due to demand pressures within People for Adult and Children Care Services this was more than mitigated by underspending within Environment Services and Business Services. The latter largely attributable to the changes in Treasury Management and the adoption of the annuity method for calculating Minimum Revenue Provision (MRP) in respect of capital financing which resulted in a significant one-off saving in 2016/17.

3.7 Changes from quarter 3 to the year-end saw the projected underspend of £0.4 million become an underspend of £2.9 million at the end of the year. The improvement on the last quarter being due to the further underspends within Business primarily due to the unallocated element of the Contingency (£0.65 million) and further contractual savings (£0.8 million).

Table 2: 2016/17 Projections at Quarter 3 compared to Actual Out-turn by Plan Themes

Theme	Quarter 3 Projections	Actual Out-turn	Variation Q3 to out-turn
	£m	£m	£m
People	+8.8	+9.4	+0.6
Environment	-0.7	-1.3	-0.6
Business	-8.5	-11.0	-2.5
Under / Overspend	**-0.4**	**-2.9**	**-2.5**

3.8 The Actual Out-turn compared to the Revised Net Budget and the main variations are shown in the following tables.

Table 3: 2016/17 Revised Net Budget and Out-turn by Plan Themes

Theme	Revised Net Budget	Actual Out-turn	Underspend (-) Overspend (+)
	£000	£000	£000
People	156,292	165,718	+9,426
Environment	63,344	62,034	-1,310
Business	46,559	35,504	-11,055
Net Cost of Services	**266,195**	**263,256**	**-2,939**

Table 4: 2016/17 Major Variations by Plan Theme

Major Variations Budget to Out-turn 2016/17	£m	£m
People:		
Children's Services - Looked After Children placements	+2.3	
Children's Services - Agency spend on social workers	+3.3	
Adult Social Care- Increased Community Care costs net of reductions in staffing and non-commissioned spend	+3.9	
Environment		
Contract efficiencies – Supporting People		-0.7
Income – Waste and Litter Charges		-0.6
Business:		
Treasury Management - one off MRP adjustment		-6.9
Treasury management – one-off interest savings		-2.5
Revenue Budget Contingency – unallocated		-0.7
Contract and various corporate savings		-1.0

3.9 The net underspend of £2.9 million at the year-end has been transferred to General Fund Balances.

LEVEL OF GENERAL FUND BALANCES

3.10 The level of balances is locally determined using a risk-based assessment which takes into account the strategic, operational and financial risks facing the Council. The approach was adopted during 2016/17 and Cabinet 22 February 2016 agreed to the level of Balances being set at, or above, the locally determined figure.

3.11 When setting the Budget 2016/17 the projected Balances were £11.5 million. The main change in the calculation of the level of Balances for 2016/17 was the exclusion of an element for the risk associated with the deliverability of savings due to the introduction of a detailed risk assessment of savings and the establishment of the Revenue Budget Contingency. In previous years this had been included within the Balances.

3.12 The Outturn shows the final figure to be £25.7 million for General Fund Balances. This includes the release of Earmarked Reserves which was agreed as part of agreeing the Council Budget for 2017/18. However, of this sum £15.7 million has been agreed to be applied to fund the 2017/18 Revenue Budget so the net result is £10 million in line with the required level of Balances.

Table 5: Summary of the General Fund Balances

Details	£m
Balance at 31 March 2016	22.2
Less: Contribution to 2016/17 Budget	-13.4
Add : Outturn 2016/17 Underpspend	+2.9
Add: Additional grants and income	+1.4
Add :Transfer from Earmarked Reserves	+12.6
Actual Balance 31 March 2017	25.7
Less: Allocated to support 2017/18 Budget	-15.7
Available Balance 31 March 2017	10.0

3.13 It should also be noted that the Balances will be supplemented in 2017/18 by the receipt of the Collection Fund surplus of £4.6 million. This will see the Balances available being £14.6 million which is above the target figure for General Fund balances of £10 million for 2017/18.

COLLECTION FUND

3.14 As seen in 2015/16 there are a number of significant changes that impact upon the Collection Fund including the changes to Local Council Tax Support and the various changes to the Business Rates scheme introduced by the Government to support small businesses. There is also the move towards 100% local Business Rates Retention which replaces the pooling arrangement with a system which involves increased risk to local authorities and is partially mitigated with a Government 'top up' payment for authorities such as Wirral with a low Business Rates tax base.

3.15 The Collection Fund comprises Council Tax and Business Rates balances which are apportioned separately in accordance with the relevant legislation for each income source. Both elements of the Fund were in surplus at the end of the year. The shares that related to Wirral are set out below.

Table 6: Collection Fund Balance As At 31 March 2017

	£000
Council Tax	3,484
Business Rates (NNDR)	712
Net Surplus	4,196

3.16 In accord with accounting requirements, the Wirral share of the surplus is shown in the Council accounts. As agreed by Executive Member Decision on 17 January 2017, Wirral will receive £4.6 million from the Fund in 2017/18 based on the projected position. The actual position was lower than predicted due to a reduction of Business Rates payable during the final quarter. It is anticipated the difference can be accommodated in 2017/18 and any difference will impact on the 2018/19 financial year.

PROVISIONS FOR BAD DEBTS

3.17 The Collection Summary 2016/17 (Appendix 3) details the collection performance, level of debts at year-end and debts written-off in the year.

Table 7: Provision for Potential Bad Debts

	At 31 Mar 2016	At 31 Mar 2017
	£000	£000
General Fund		
Sundry Debtors	8,519	9,330
Summons Costs	636	669
Housing Benefit	10,144	9,571
Collection Fund		
Business Rates	1,624	1,584
Council Tax	11,720	12,171

RESERVES

3.18 The current level of reserves and movements during 2016/17 are shown in the Annex. During the year Earmarked Reserves decreased by £18.8 million (from £73.9 million at 31 March 2016 to £55.1 million at 31 March 2017). Over the last two years reserves have reduced by over £32 million which reflects their use not only to support specific projects but also to support the annual Budget. The categories of reserves are as follows:-

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION Support the Transformation programme, which includes support to projects to deliver future savings and the reconfiguration of services.
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 and sums held that are earmarked for the completion of programmes such as Community Asset Transfer, planned maintenance and parks improvements.

3.19 As in previous years all Reserves, which are sums set-aside for specific purposes, were reviewed and those no longer required returned to General Fund Balances. This released £12.6 million. Other significant movements included: the use of £2.2 million of the Transformation Fund to support the implementation of Ofsted recommendations and the deployment of £3.9 million of the Transformation Fund to support the implementation and development of the Transformation Programme.

3.20 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2017 the balances held by schools totalled £10.5 million (£11.7 million at 31 March 2016) and these can only be used for schools' purposes. A number of other reserves also relate to Schools.

3.21 The Insurance Fund reserve was £9.9 million at 31 March 2017((£10.9 million at 31 March 2016). The Fund decrease is linked to a favourable assessment of future claims and liabilities that has led to a reduction in the amount held in the reserves. This formed part of the £ 2.5 million release by the Fund to General Fund Balances (see Audit & Risk Management Committee 12 June 2017 Insurance Fund Annual Report 2016/17).

4.0 FINANCIAL IMPLICATIONS

4.1 The Revenue Out-turn for 2016/17 showed an underspend of £2.9 million. The General Fund Balances at 31 March 2017 were £25.7 million (of which £15.7 million was allocated in the Budget 2017/18). The Earmarked Reserves at 31 March 2017 totalled £55.1 million.

5.0 LEGAL IMPLICATIONS

5.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The Accounts must comply with the Code of Practice on Local Authority Accounting. There is a legal requirement to publish the Statement of Accounts each year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no staffing, IT or asset implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2016/17 and the balances at 31 March 2017.

8.0 ENGAGEMENT/CONSULTATION

8.1 This is an end of year report. Consultation takes places as part of the planning and implementation of specific schemes within the Council Budget.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no implications arising directly from this report being a report on the overall financial affairs for the financial year just completed.

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APPENDICES

Annex Earmarked Reserves

REFERENCE MATERIAL

CIPFA Code of Practice on Local Authority Accounting In the UK 2016/17.
CIPFA Update to Code of Practice on Local Authority Accounting In The UK 2016/17
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit Regulations 2015.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Out-turn 2014/15	13 July 2015
Cabinet - Out-turn 2015/16	18 July 2016
Cabinet – Budget 2016/17	22 February 2016
Council – Budget 2016/17	3 March 2016
Cabinet – Budget 2017/18	20 February 2017
Council – Budget 2017/18	6 March 2017
Cabinet – Revenue Monitoring 2016/17	Quarterly reports

ANNEX

EARMARKED RESERVES STATEMENT 2016/17

Earmarked Reserves	Balance 31 Mar 16	Movement 2016/17	Balance 31 Mar 17
	£000	£000	£000
Schools Balances	11,738	(1,238)	10,500
Insurance Fund	10,867	(998)	9,869
Business Rates Equalisation	10,304	(4,012)	6,292
Housing Benefit	5,204	(487)	4,717
Waste Development Fund	6,018	(1,444)	4,574
Transformation Fund	10,973	(8,095)	2,878
Public Health Outcomes	247	1,480	1,727
One Stop Shop/Libraries IT Networks	1,483	(251)	1,232
Dedicated Schools Grant	1,272	(199)	1,073
Support & Assistance to Public in Need	770	-	770
Wirral Ways to Work	-	740	740
IT Development	681	(8)	673
School Harmonisation	656	-	656
Stay, Work, Learn Wise	676	(21)	655
Community Assets Transfer	836	(183)	653
Flood Prevention	555	(5)	550
Selective Licensing	537	-	537
Champs Innovation Fund	380	133	513
Human Resources Reserve	410	77	487
Major Infrastructure Project Development	652	(205)	447
Discretionary Housing Payments	297	127	424
Section 106 Bloor Homes	-	389	389
Intensive Family Intervention Project	549	(174)	375
Schools Capital Projects	603	(44)	559
Community Safety Initiatives	231	52	283
Home Improvements	309	(85)	224
Home Adaptations	295	(145)	150
Early Years - 2 Year Olds Funding	461	(331)	130
Children's Workforce Development Council	222	(148)	74
Property Development Framework	700	(700)	-
Future School Redundancy Costs	367	(367)	-
Public Health Allocations	348	(348)	-
Parks & Countryside	311	(311)	-
Public Health - Information & Performance	184	(184)	-
Other Reserves	4,779	(1,866)	2,913
Total Earmarked Reserves	**73,915**	**(18,851)**	**55,064**

SUMMARY OF EARMARKED RESERVES

Generic Purpose of Earmarked Reserves	Balance 31 Mar 2016 £ million	Balance 31 Mar 2017 £ million
Mitigation of Future Risks: Insurance and Taxation	26.4	20.9
To Support the Transformation Programme	11.6	3.5
Schools Related	15.1	12.8
To Support Service Activities and Projects	20.8	17.9
Total Earmarked Reserves	**73.9**	**55.1**

APPENDIX 2

CAPITAL OUT-TURN 2016/17

REPORT SUMMARY

This Appendix whilst detailing the Capital Out-turn for 2016/17 and the resources which were used to fund the Programme also provides a review of the progress of the delivery of the agreed Capital Programme.

RECOMMENDATIONS

a) The additional re-profiling of £6.3 million from 2016/17 to 2017/18 be noted.
b) The financing of the Programme for 2016/17 be noted.
c) The Programme for 2017/18 and beyond be kept under review to ensure it is realistic and deliverable.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 The Council is required to make a number of formal Determinations in respect of its capital expenditure and financing and this report includes those for the 2016/17 financial year.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options were considered. There is a legal requirement to publish the capital expenditure and financing at the end of the financial year.

3.0 BACKGROUND INFORMATION

MONITORING 2016/17

3.1 The Capital Programme 2016/17 was considered by Cabinet on 22 February 2016 and approved by Council on 3 March 2016. The Programme is based on the Wirral Plan priorities, Government Grant announcements and scheme affordability. It was highlighted that the Council's Revenue Budget position limited the scope for unsupported capital expenditure.

3.2 Cabinet received regular updates in respect of capital monitoring throughout the year. The last monitoring report, for Quarter 3, was considered by Cabinet on 20 February 2017. Since then work has been on-going in order to conclude the accounts for the financial year.

3.3 During the year the Programme was regularly reviewed in order to re-profile the Programme which resulted in schemes being deferred to 2017/18 along with the supporting funding. This continues to deliver one-off Treasury Management savings through a reduced need to borrow in 2016/17.

CAPITAL OUT-TURN

3.4 The capital spend for the year was £25.3 million compared to the Revised Programme of £30.7 million which was reported in February 2017 (Quarter 3). This is summarised in Table 1.

3.5 The out-turn includes the Formula Capital schemes delegated to schools, the expenditure for which is only realised at the end of the financial year.

Table 1 : Capital Programme 2016/17

Spend	Original Approval	Revised December	Actual Out-turn
Themes	**£000**	**£000**	**£000**
Business	19,424	12,531	10,999
Environment	15,547	7,281	6,311
People	24,648	10,922	7,942
Total Programme	**59,619**	**30,734**	**25,252**

The "Original Approval" is a combination of the Capital Strategy, amendments following the 2015/16 final accounts and Government Grant announcement / amendments notified by June 2016.

3.6 Cabinet approved amendments totalling £28.8 million to the originally approved programme, as reflected in the position for Quarter 3. Since then a further £6.3 million has been identified to be deferred until 2017/18. A number of schemes are proceeding ahead of schedule and have been brought forward from 2017/18. These are indicated by negative values.

Table 2 : Significant variations identified since Quarter 3

Scheme	£000
Business	
Building refurbishment to increase occupancy	-122
Demolish former Rock Ferry High School	-143
Bridges	288
Transport for Growth/Integrated Transport	878
Dock Bridges replacement	443
Growth Fund	300
Business Investment Grants	151
Other variations	142
Total	**1,937**

Scheme	£000
Environment	
Cemetery Extensions and Improvements	260
Flaybrick Cemetery	-100
West Kirby Marine Lake - integrated accommodation	-164
CCTV cameras and other equipment	100
Aids/adaptations and Disabled Facilities Grant	351
Restore empty homes	278
Other variations	185
Total	**910**
People	
Pensby Wood remodelling	165
Citizen and Provider Portal/Integrated IT	944
Assistive Technology	615
Community Intermediate Care	100
Extra Care Housing	600
School condition allocation	784
Stanley Special School	-128
School remodelling (Primary Places)	325
Other variations	85
Total	**3,490**
Overall total	**6,337**

3.7 In reviewing the final spend for the year it is clear that whilst a number of schemes have progressed, there have been further schemes which have been re-profiled to 2017/18. The most significant are referred to in Section 3.6. This change in timing delivers in-year revenue savings in respect of Treasury Management costs for schemes that were reliant upon borrowing as the need to borrow is also deferred.

3.8 A summary of progress in the year within the Programme is as follows:-

3.8.1 **Business**

IT expenditure of £1.9 million was mainly focused on the Targeted Operating Environment with expenditure on new servers, equipment and migrating from Windows 2003 to Windows 2008/2012. In addition to this there was a small amount of expenditure on computers and equipment relating to the final phase of the IT roll out.

In order to release sites for disposal, work at Acre Lane and Manor Drive was progressed. The latter included the commitment to provide a new facility for the pony club. Both sites have now been sold with the first instalment of the proceeds for Manor Drive (£2.34 million) received in the year.

£1.2 million was spent on works to increase building occupancy have taken place at Wallasey Town Hall and Bebington Civic Centre. The refurbishment of the Treasury Building to provide modern fit for purpose accommodation is progressing well and is approaching 70% completion. The refurbished accommodation will bring together all the Authority's IT staff.

The demolition of the former Rock Ferry High School proceeded ahead of schedule. Once complete this will enable the site to be disposed of and / or redeveloped.

Investment into highways was in excess of £4.2 million. The Department for Transport (DfT) highway maintenance allocation was supplemented from with a further £0.5 million for maintenance improvement schemes on unclassified and residential roads. The programme for the year resulted in the completion of 39 resurfacing schemes, 16 footway reconstruction schemes and 25 other schemes relating to the Principal and Non-Principal Classified road network.

The significant scheme as part of the Sustainable Transport Enhancement Programme (STEP) was the East Float access improvement work.

With the technical approval procedures completed work started on site to replace the Dock Bridges. The large value equipment orders (i.e. hydraulic cylinders for moving the bridges) have been being placed. Over £2 million being spent and primarily funded from Government Grants.

3.8.2 **Environment**

Over £0.7 million was spent on improving facilities at parks. New fit for purpose accommodation and facilities have been completed at Ashton Park whilst at Warren Farm full refurbishment of the main building is nearing completion. Further works at Cleveland Street and Ivy Farm are on hold pending the outcome of the Leisure and Culture Services review.

The re-roofing work at Bidston Tennis and Sports Centre has been completed along with works at West Kirby Marine Lake. In respect of the Oval Sports Centre the development works, including the fitness suite and the catering facilities continue to progress. With over £2 million invested the various improvements have seen a sustained increase in membership of the Council invigor8 scheme as numbers using the facilities continue to increase.

The site at Flaybrick Cemetery is on the national Heritage at Risk Register. Works to consolidate and stabilise the surviving fabric of the Flaybrick chapels have been completed at a cost of £0.3 million with grant assistance from Historic England.

The main coast protection scheme is the construction of new flood defences at West Kirby to significantly reduce flood risk to 140 properties**.** However, the business case had to be resubmitted to the Environment Agency in March 2017 which has delayed the scheme until 2017/18.

£1.7 million of grant aid has been provided for the provision of essential aids and adaptations giving disabled people better freedom of movement in and around their homes.

The Home Improvement project, on which £0.6 million has been spent, provides a continuation of both financial assistance and intervention to remedy poor housing conditions in the private sector, including serious disrepair/hazards, poor or no heating provision, low market demand and bringing long term empty properties back into productive use.

10 schemes, at a cost of £0.6 million, have been committed under the New House Building programme. Two have been completed and two are near completion. 125 units will be delivered, exceeding the original target of 100. The remaining schemes are subject to final agreements being compiled by Legal.

3.8.3 **People**

The Wirral Youth Zone (The Hive), supported by £1.9 million from the Council, officially opened on 8 April and is a purpose built facility for young people aged 8-19, and up to 25 for those with disabilities. After just 2 months opening it has over 4,000 registered members.

Government Grants essentially fund investment in schools and is subject to annual announcements. All works are undertaken with schools and mindful of the impact upon the service are largely arranged for completion outside of term-times. These factors impact upon the timing of the actual spend with frequent revisions to be accommodated. With over £5.5 million invested during 2016/17 the key projects are detailed in the following paragraphs.

At Mersey Park Primary School funding was provided to extend 2 undersized classrooms and provide a resource/group room. The design was more creative moving away from the traditional build to complement the existing Victorian features. The design has received positive comments from parent, staff, public and professional people. It has also enabled pupils to be taught in a modern and well-spaced out class-base.

Liscard Primary School has a new roof to overcome many awkward shapes and valleys. Although the design features are not in the original slate material because of high costs the materials used complements its surroundings and is a proven material that has sustainability and blends in with the age of the building.

3 Children Centre Hubs have been re-modelled to modernise each facility and to create improved access, reception area's and various meeting/group rooms to create a uniformed 'brand identity' for Children Services. They are now fully operational and to capacity and are a great success.

The Observatory School receives pupils who have social, emotional and mental health problems. Existing classrooms were re-modelled to improve usage. One mobile classroom was removed, the other refurbished and the playground extended. Internal re-modelling took place to provide a further internal teaching space and resource/group room including new changing facilities for activities. New acoustic panelling was installed in the main hall which has dramatically improved noise reduction in the hall.

At Stanley Special School additional classrooms and medical facilities have been provided.

As part of the commitment to transform the provision of day services, £0.3 million has been invested in the provision of enhanced facilities.

The provision of extra care / specialised housing remains the subject of on-going consultation and negotiation and therefore the funding has been further re-profiled.

CAPITAL FINANCING

3.9 Table 3 details the resources used to finance the Capital Programme.

Table 3 : Capital Financing 2016/17

Resources	**Original Approval**	**Revised December**	**Actual Out-turn**
	£000	**£000**	**£000**
Unsupported Borrowing	20,970	7,239	7,175
Grants	22,703	16,814	11,795
Capital Receipts	14,762	6,564	5,951
Revenue and Reserves	1,184	117	331
Total Resources	**59,619**	**30,734**	**25,252**

3.10 The re-profiling referred to earlier has seen the schemes and associated funding deferred until 2017/18.

CAPITAL RECEIPTS

3.11 Table 4 shows the movements in the Capital Receipts Reserve during 2016/17. Receipts for the year totalled £3.5 million with £5.5 million held at 31 March 2017.

3.12 In accord with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2019 can be used to support Transformation. This has been reflected in the Capital Programme for 2017/18 onwards. Receipts prior to the 1 April 2016 are not eligible to be used to fund Transformation.

3.13 The option of financing from borrowing has been curtailed as the revenue budget includes savings on loan financing. Instead the maximisation of capital receipts will be used, thereby reducing capital financing charges.

Table 4: Capital Receipts Reserve

	£000
Balance as at 1 April 2016	**8,047**
Add : Receipts during the year	3,462
Less : Used to part fund the Capital Programme	-5,951
Balance as at 31 March 2017	**5,558**

3.14 Of this balance £3.0 million is available to fund the Transformation Programme and £2.5 million to fund the ongoing Capital Programme

4.0 FINANCIAL IMPLICATIONS

4.1 The capital spend for the year amounted to £25.2 million. This was funded from borrowing of £7.2 million, Government Grants of £11.8 million, capital receipts of £5.9 million and revenue/reserves £0.3 million.

4.2 The re-profiling of schemes from 2016/17 to 2017/18 has seen the funding similarly re-profiled. This includes the planned borrowing which has been deferred and has contributed towards the in-year savings on Treasury Management activities within the revenue budget.

5.0 LEGAL IMPLICATIONS

5.1 There is a legal requirement to publish a report on the capital spend and financing at the end of each financial year

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no staffing, IT or asset implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 There are none associated with this report which provides a summary of the spend and financing of the Capital Programme in 2016/17. The Programme has been monitored throughout the year and by reports to Cabinet.

8.0 ENGAGEMENT/CONSULTATION

8.1 This is an end of year report. Consultation takes places as part of considering the capital programme and over the planning and implementation of the specific schemes within the Programme.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no implications arising directly from this report which covers the overall programme and its funding for the financial year.

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REFERENCE MATERIAL

CIPFA Code of Practice on Local Authority Accounting In the UK 2016/17.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2015.

SUBJECT HISTORY

Council Meeting	Date
Cabinet – Out-turn 2014/15	13 July 20125
Cabinet – Out-turn 2015/16	18 July 2016
Cabinet – Budget 2016/17	22 February 2016
Council – Budget 2016/17	3 March 2016
Cabinet – Capital Monitoring 2016/17	Quarterly reports

APPENDIX 3

COLLECTION SUMMARY 2016/17

REPORT SUMMARY

This Appendix details the collection of Council Tax, Business Rates, Sundry Debtors, Housing Benefit Overpayments and Housing Act Advances. It also highlights key collection indicators and for irrecoverable sums, the sums that were written off under delegation and details of those debts for which Cabinet approval is sought to write off.

RECOMMENDATIONS

a) The increase in Council Tax in-year collection rate from 95.3% in 2015/16 to 95.4% in 2016/17 be noted.
b) The increase in Business Rates collection rate from 97.2% in 2015/16 to 97.6% in 2016/17 be noted.
c) The increase in Sundry Debts from £23.6 million at 31 March 2016 to £26 million at 31 March 2017 be noted.
d) That the sundry debts for Adults Social Services and Other Directorates detailed in the report be written-off against the Provision for Bad Debts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 To inform Members of the collection activity undertaken in these areas.

1.2 Sums written off are approved either under delegation or by Cabinet.

2.0 OTHER OPTIONS CONSIDERED

2.1 The report presents a summary of the collection performance for 2016/17 and no other options were considered.

3.0 BACKGROUND INFORMATION

COUNCIL TAX

3.1 Work backlogs reduced throughout the year and various steps were taken to improve processing time. As a consequence the in-year collection rate increased from 95.3% in 2015/16 to 95.4% in 2016/17. A review of Single Person Discount awards was undertaken in January 2017, and at April 2017 resulted in the removal/cessation of 1,431 discounts, which has generated additional revenue of £0.4 million. Due to the timing of the review exercise, with ceases/amendments being made up to the end of March, this inevitably impacted on collection.

3.2 **Collection Summary 2016/17**

	£	£
Arrears Brought Forward at 1 April 2016		18,243,444
Total Charge 2016/17		193,205,088
		211,448,532
Less Credits Brought Forward at 1 April 2016		1,110,470
		210,338,062
Less Allowances:		
Exemptions	2,777,771	
Disabled Persons Relief	146,584	
Discounts and Band alterations	17,642,300	
Council Tax Support	26,561,404	
Write-offs	1,876,208	49,004,267
		161,333,795
Add Refunds Made		1,224,968
Add Costs		488,827
		163,047,590
Less Cash Received		145,813,503
Arrears Carried Forward at 31 March 2017		17,234,087

3.3 **Debt Recovery Actions**

	2015/16	2016/17
Reminder Notices	71,715	65,672
Summonses Issued	17,426	15,673
Leading to		
Liability Orders	12,911	14,307
Attachment of Earnings Orders	1,807	3,189
Deductions from Job Seekers Allowance, Income Support, Universal Credit, etc	5,953	6,191
Referred to Bailiffs	9,516	11,058

3.4 Whilst there has been a reduction in recovery action at Reminder and Summons stages there has been an increase at the later enforcement stages. The reduction in those eligible under the Local Council Tax Support Scheme continues to impact upon collection. In addition, the number of people claiming Council Tax Support has also reduced, especially for Universal Claimants who are required to apply separately for this support separately, despite actions to actively encourage take up.

Irrecoverables

3.5 There is no specific power to write-off Council Tax debts, which are covered by the general power of administering the financial affairs of the Authority. Examples of suitable cases for write-off are: deceased persons with no estate, persons not traced, Insolvency, sums remitted by the court during proceedings for imprisonment and minimal sums. All other debts are actively pursued.

3.6 The Bad Debt provision for 2016/17 was £13.8 million and whilst trace and recovery work is ongoing in pursuance of arrears £1,876,207 has been written off in 2016/17 which includes debt over 10 years old which is deemed to be uncollectible .The write off categories are as follows; -

Category	2015/16	2016/17
	£	£
Deceased	5,122	71,292
Insolvency	258,433	325,961
Court Remission	5,248	848
Prison sentence served (by order of the magistrates)	205	0
Non-traceable	794,989	580,549
Uncollectable (old debt)	0	897,557
Total	1,063,797	1,876,207

3.7 **Statistics**

	31 Mar 2016	31 Mar 2017
Number of properties	147,426	147,760
Number of Council Tax Scheme Recipients	34,789	33,419
Council Tax Collection	95.3%	95.4%

Year on Year Volume Comparisons

3.8 There continues to be an increasing number paying by Direct Debit. The removal of the Conway One Stop Shop cashier facility in April 2015 led to increased payments through the Post Office and Paypoint in 2015/16.

		31.03.15	31.03.16	31.03.17
Direct Debit Payers		93,428	94,813	96,919
Discount Recipients		71,957	61,546	60,492
Pensioners Discounts		11,482	0	0
Exempt Persons		2,203	2,303	2,290
No. of Amended/Copy Accounts		128,006	128,010	130,091
No. of Returned Direct Debit Payments		12,045	11,760	12,531
Payments:	Direct Debits	966,861	987,594	1,014,341
	Cash/Cheque	73,151	51,405	51,736
	Salaries/Wages	10,393	9,299	8,669
	Debit/Credit Card	84,325	80,728	83,924
	Paypoint	42,947	45,913	43,759
	Post Office	74,488	83,110	79,240
	Dept. for Work & Pensions	57,662	57,577	52,802
	Bailiff	14,972	23,102	23,315

BUSINESS RATES (NATIONAL NON DOMESTIC RATES)

3.9 The collection rate of 97.6% in 2016/17 was an increase from 97.2% in 2015/16. This improvement was also against an increase in the sum collectable which increased from £76 million to £86 million. As reported last year the Valuation Office Agency finalised a number of outstanding assessments which included two major sites.

3.10 **Collection Summary 2016/17**

	£	£
Opening Debit		89,685,120
Plus Balance Brought Forward		5,562.000
Less Credit Brought Forward		527,000
		94,720.120
Allowances		
Assessment changes in year	7,578,521	
Transitional Relief	12,844	
Empty relief	-154	
Empty relief exemptions	-3.663,348	
Part Occupation relief	-149,947	
Void Property Relief	-3,878	
Charitable Organisations	-5,922,553	
Hardship	-5,000	
Small Business Rate Relief (SBRR)	-6,816,436	
Multi Occupation SBRR	-24,438	
Local Disc/Flood/Retail	12,690	
Enterprise Zone Discount	-134,162	
Re-Occupation Relief	-33,942	
Write-Offs	-1,789,004	-10,938,807
		83,781,313
Add Refunds made		2,638,673
Add costs		48,276
		86,468,262
Less Cash Received		-81,377,962
Balance Carried Forward		5,090,300

3.11 **Debt Recovery Action**

	2015/16	2016/17
Summonses	555	639
Liability Orders	458	515
Charge payers on Direct Debit	1,985	2,227

Irrecoverables

3.12 The Bad Debt provision for Business Rates is £3.3 million in 2016/17 and those written-off by category in 2016/17 were:-.

Category	2015/16	2016/17
	£	£
Absconded/Irrecoverable	945,360	990,176
Insolvency	641,643	831,780
Miscellaneous (including deceased)	-112,666	-32,952
Total	1,474,337	1,789,004

3.13 **Statistics**

	2015/16	2016/17
Number of Properties on Valuation List	8,294	8,420
Rateable Value	£185,662,275	£185,697,584
New and Altered Property Notifications	1,005	345
Collection Rate	97.2%	97.6%

3.14 The Council has an Enterprise Zone, Wirral Waters, which came into force on 1 April 2012. The Zone has been the subject of reports to Cabinet and two buildings (a College and a Call Centre), were completed and occupied in 2015/16.

3.15 The Birkenhead Business Improvement District (BID) invoices were sent to 650 businesses in the Birkenhead BID Zone by the Council acting on behalf of the Wirral Chamber of Commerce in 2016/17. The levy is 1.5% of a property's Rateable Value and will cover a period of 5 years. In 2016/17 the BID levy raised £470,000, and the funds raised will go to improve the area covered by the BID Company, Birkenhead First. The collection rate was 94.4%.

3.16 Under Government proposals local authorities will retain 100% of Business Rates from 2020 and the Government has established areas to pilot this change. Wirral is part of the Liverpool City Region pilot whereby it will retain 100% of all Business Rates collected from 2017/18. Wirral previously retained 49% with 50% going to Central Government and 1% to the Fire Authority.

3.17 The outcome of the Government review into Business Rates means that from April 2017 Businesses with a Rateable Value of 12,000 or under do not pay Business Rates and they anticipate 1/3rd of all businesses will not pay Rates. Businesses with a Rateable Value of 12,000 to 15,000 receive tapered relief and properties with a Rateable Value of up to 51,000 pay the lower poundage, removing 250,000 businesses from the higher rate. Nationally the changes affect 900,000 properties nearly half of Business Rate payers. The Government are also looking at reducing the time between valuations (from 5 years to possibly 3 years) and alternative valuation methodologies including a form of self-assessment.

3.18 As a result of the 2017 revaluation of non-domestic properties, some ratepayers are subject to substantial increases in the amounts payable, and others substantial reductions. The Government Transitional Relief has introduced arrangements to phase the effects of these changes setting limits on increases and reductions in bills. The limits continue to apply to yearly increases and decrease until the full amount us due over a 5 year period.

3.19 The Chancellor of the Exchequer announced measures to help businesses in his budget statement on 8 March 2017 which are to help those affected by the revaluation of properties effective from 1 April 2017. This includes:-

a Businesses which lose some or all of their small business rate relief will have increases in their bills limited to £50 per month in 2017/18. There will also be limits to increases in later years.

b There is a national fund of £300 million to support businesses that face the steepest increases in their rates bill as a result of the revaluation. The Government has recently issued the allocations and the operational details are being developed.

ACCOUNTS RECEIVABLE (SUNDRY DEBTS)

3.20 During 2016/17 invoices totalling £97.5 million were raised and income of £93.2 million collected. The arrears figure as at 31 March 2017 increased by £2.4 million to £26 million and, as with previous years, the end of year position is affected by invoices raised in the final days of March. For 2016/17 this involved invoices totalling £7.6 million (in 2015/16 it was £7 million). 2016/17 also saw the Birkenhead Improvement District and Selective Licensing scheme processed through Debtors with the changes in Social Care funding resulting in deferred debtors increasing.

3.21 **Collection Statement**

	2015/16	2016/17
	£	£
Balance Brought Forward at 1 April	30,890,704	22,624,737
Net Amount of Invoices	91,304,924	97,450,018
	122,195,628	120,074,755
Less Write-Offs	1,777,833	848,260
	120,417,795	119,226,495
Payments Received	97,793,058	93,212,650
Balance Carried Forward at 31 March	22,624,737	26,013,845

3.22 The number of invoices and their value raised over recent years and the outstanding debt at the year-end is as follows:-

Financial Year	Invoices Number	Invoices Value	Debt 31 March
2013/14	51,139	£99.6m	£23.5m
2014/15	48,879	£105.5m	£30.9m
2015/16	66,061	£91.3m	£22.6m
2016/17	81,889	£97.5m	£26.0m

3.23 The table below shows the Directorates and amount of debt at each stage:

Directorate Description	Less than 10 days	1st reminder	2nd reminder	3rd reminder	Total at 31.03.2017
	£	£	£	£	£
Chief Executive	152,845	10,118	74,236	1,049,198	1,286,397
Neighbourhood	18,013	0.00	0.00	11,373	29,386
Families & Wellbeing	6,259,561	1,659,577	552,401	9,989,246	18,460,787
Trans & Resources	492,171	378,130	1,853,132	2,569,237	5,292,672
Reg & Environment	704,267	57,326	159,260	323,544	1,244,398
Policy & Perform'ce	300	0	22,448	68,979	91,727
Totals	7,627,158	2,105,153	2,661,478	14,011,579	26,405,369

3.24 The above figures are for invoices up to the end of March 2017. Payments as well as amendments such as write-offs and cancellations continue to be made after this date on these accounts plus a further adjustment of £391,524 to be made for unallocated payments at year-end leaving a balance of £26,013,845.

3.25 Debts which have been registered as a charge against a property and should be recovered when that property is subsequently sold are classed as Land Charges. There is currently £851,975 covered by Land Charges.

Irrecoverables

3.26 Sums over the limit of delegation £1,000 and below £5,000 require Cabinet approval. For each case over £5,000 the approval is in respect of individual cases for which explanations are provided to Cabinet. The Bad Debt provision for 2016/17 is £9.3 million.

3.27 Sums totalling £848,259.89 are proposed for write off comprising £736,912.81 of Adult Social Services debtors and a further £111,347.08 of other Departmental debts. The cases above £5,000 are detailed in the Annex.

Debt – Value	Adult Social Services		Other Directorates	
	Number	£	Number	£
<£1,000	361	76,144	344	62,474
£1,000-£5,000	27	57,583	14	24,119
£5,000	32	603,186	3	24,754
Total	420	736,912	361	111,347

Reason for write off	Adult Social Services		Other Directorates	
	Number	£	Number	£
Deceased	112	123,004		
Irrecoverable	36	264,159	36	36,545
Statute Barred	14	189,687	277	69,905
Uneconomical	258	160,092	48	4,897
Total	420	736,912	361	111,347

Note : Whilst some items are classed as Statute Barred this primarily relates to invoices where the client died several years ago so could equally be classified under deceased.

HOUSING BENEFIT OVERPAYMENT DEBTS

3.28 The following Housing Benefit overpayment debts were written off in 2016/17.

Reason	No	£
Elderly	10	11,520
Bankrupt	88	62,049
Deceased	74	35,548
Statute Barred	60	19,279
Small Balance	56	772
Uneconomic to pursue	128	21,669
Total	416	150,837

IRRECOVERABLE DEBTS

3.29 Under delegated powers and previous Cabinet approval written off as irrecoverable against the provision for bad debts are the following:-

	£
Council Tax	1,876,208
Business Rates	1,789,004
Sundry Debtors	848,259
Housing Benefits Overpayments	150,837
Total	4,664,308

4.0 FINANCIAL IMPLICATIONS

4.1 Debts written off as irrecoverable are charged against the Council provisions for bad debts which are reviewed annually in accordance with the requirements of accounting practice. At 31 March 2017 the provision for Council Tax stood at £14.3 million, Business Rates £3.2 million and Sundry Debts £9.3 million.

5.0 LEGAL IMPLICATIONS

5.1 Those debts recommended for write-off have been agreed by the Head of Legal and Member Services.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no staffing, IT or asset implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 If debts are not written off they have the potential to inflate what might be thought collectable. Debts are only written off after a number of stringent checks and following advice from the Head of Legal and Member Services.

8.0 ENGAGEMENT/CONSULTATION

8.1 Relevant officers of the Council have been consulted in preparing this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no implications arising directly from this report being a report on the overall financial affairs for the financial year just completed.

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ANNEX

Sundry Debtor Accounts – Write-Offs over £5,000

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Collection Summary 2013/14	7 July 2014
Cabinet - Outturn Collection Summary 2014/15	13 July 2015
Cabinet – Outturn Collection Summary 2015/16	18 July 2016

ANNEX

SUNDRY DEBTOR ACCOUNTS

WRITE-OFFS OVER £5,000 FROM 1 APRIL 2016 -31 MARCH 2017

DEBTORS – ADULT SOCIAL SERVICES

Case	Details
1	Invoice dated 22/01/2015 amounting to £17,865.76, in respect of the final balance outstanding for Residential/ Nursing Care charges and Support at Home charges. The client was deceased and a complaint was addressed with the resultant agreement to write off the debt. **Write off reason – Irrecoverable**
2	Invoice dated 18/05/2015, amounting to £15,442.93 in respect of the final balance outstanding for support at home charges. The client is deceased leaving no funds in the Estate. Unable to pursue as no probate or executor and no charges could be brought. **Write off reason – Deceased**
3	Invoice dated 24/11/2015, amounting to £9,632.35 in respect of final balance outstanding for accommodation charges. The Client's husband / appointee and the Client died with no Estate and no grant of probate issued in respect of either the client or her husband. **Write off reason – Irrecoverable**
4	Invoice dated 22/10/2015, amounting to £5,058.85 in respect of a final balance outstanding Residential / Nursing charges. The Client is deceased and evidence was provided that there were no funds remaining on the Estate. Remaining funds had already been spent on the funeral. **Write off reason – Deceased**
5	Invoice dated12/12/2013, amounting to £49,080.72, in respect of the final amount for support at home charges. Client is deceased and there is no record of probate being issued and no-one to pursue for the debt. As this was based on full cost assessment because the family would not engage the assessment may have been reduced. **Write off reason – Irrecoverable / No trace**
6	Invoice dated 14/08/2014 amounting to £38,459.33, relating to accommodation charges. This debt has been deemed irrecoverable as the Client died in 2014 and there was no probate or executor with nobody to pursue. **Write off reason – Irrecoverable**
7	Invoice dated 13/11/2015, amounting to £14,088.56, relating to the final account for non-residential charges. This debt was referred to external solicitors who recommended a flexible instalment arrangement, but was never implemented. The client is no longer funded by DASS and unlikely to have funds to pay. **Write off reason – Irrecoverable**
8	Invoice dated 01/06/2016, amounting to £5,989.03, relating to the final amount outstanding for residential charges. The client died and there are no funds remaining in the Estate to pay the debt. **Write off reason – Deceased**

9	Invoice dated 10/02/2016, amounting to £5,220.61, relating to the final amount outstanding for residential charges. Evidence was provided to show insufficient funds in the Estate, following payment of funeral. **Write off reason – Deceased**
10	Invoice dated 18/09/2013 amounting to £77,901.27 in respect of the final balance outstanding for support at home charges and Residential Nursing care. .With the client's son is living in Indonesia and funds spent prior to DASS becoming appointee following the client's death there was no probate and unable to pursue the debt. **Write off reason – Irrecoverable / No trace**
11	Invoice dated 04/08/2015 amounting to £38,746.63 in respect of accommodation charges. A letter received August 2013 from the client's daughter, states her mum had approximately £8,000 prior to funeral expenses, so no funds left. Daughter was not official Power of Attorney so unable to pursue debt **Write off reason – Uneconomical**
12	Invoice dated 21/7/14 amounting to £23,337.61 in respect of accommodation charges, respite charges and Home care charges. The client died and whilst the niece was the only carer she did not handle finances. Despite extensive searching the Executors have not been traced. **Write off reason – Irrecoverable / No trace**
13	Invoice dated 13/11/2015 amounting to £18,518.84 in respect of the final account for non-residential care charges. The services ended in 2015 and a letter received from CWP advised the client no longer has 'capacity to understand, retain or assimilate information regarding the financial issues'. The consultant psychiatrist has asked for the amount to be written off for the good of client's health. **Write off reason - Irrecoverable.**
14	Invoice dated 20/07/2016 amounting to £16,870.12 in respect of accommodation charges. Client is deceased and evidence provided showing no funds in Estate to pay balance. **Write off reason – Deceased**
15	Invoice dated 13/11/2015 amounting to £16,156.50 in respect of the final account for non- residential care charges. Whilst the debt has been pursued there is evidence that changes in service provision may mean the amount is overstated but confirmation depends upon the client's financial position. It has been identified that the client does not have the capital, or the income, to settle the debt. **Write off reason – Uneconomical**
16	Invoice dated 13/11/2015 amounting to £16,021.27 in respect of the final account for non-residential care charges. up to 31/03/2013. Whilst the debt was pursued the client's financial position remained unclear with limited means of confirming. It has been identified that the client does not have the capital, or income, to pay off the debt. **Write off reason – Uneconomical**
17	Invoice dated 26/07/2016 amounting to £10,384.74 in respect of outstanding support at home charges. Client died with probate not required. Evidence received confirms no funds in the Estate. **Write off reason – Deceased**
18	Invoice dated 25/03/2014 amounting to £8,786.57 in respect of residential

	charges and short term care. The client died with no funds in the Estate. **Write off reason – Deceased**
19	Invoice dated 21/06/2016 amounting to £5,993.15 in respect of charges for Nursing Care. Client is now in long term care with no available income so pursuit would not result in the debt being paid. **Write off reason – Uneconomical**
20	Invoice dated 30/06/2016 amounting to £5,112.09 in respect of residential care. The client is deceased and the likelihood of payment balanced with cost of proceedings renders this uneconomic to pursue. **Write off reason – Uneconomical**
21	Invoice dated 26/07/2016 amounting to £5,002.71 in respect of support at home charges. Evidence provided that there is no capital available to pay the debt and no income available to pay instalments. It would not be cost effective to pursue this debt due to the likelihood of payment balanced with cost of proceedings **Write off reason – Uneconomical**
22	Invoice dated 06/10/2009 amounting to £30,477.17 in respect of the final amount outstanding for accommodation charges. Recovery action has proven unsuccessful so write off is recommended due to timescale. **Write off reason – Statute Barred**
23	Invoice dated 16/07/2015 amounting to £8,930.45 in respect of the final account for homecare charges. No probate as the Estate is likely to have been passed to the client's widow. Client was assessed at full cost through limited engagement by client so potentially over-stated. Limited likelihood of payment balanced with cost of proceedings **Write off reason – Uneconomical**
24	Invoice dated 17/02/2016 amounting to £7,857.02 in respect of the final account for accommodation charges. Client died leaving limited funds in the Estate used to meet debts and funeral costs. **Write off reason – Deceased**
25	Invoice dated 06/12/2016 amounting to £6,161.45 in respect of support at home charges. Client died having been in receipt of low Income Guarantee Credit and in rented accommodation. Probate has not been awarded and it not cost effective to pursue due to the likelihood of payment versus cost of proceedings. **Write off reason – Uneconomical**
26	Invoice dated 16/12/2012, amounting to £9,230.68, relating to Direct Payments. All attempts to recover this account have been unsuccessful and is now statute barred under Section 56 of the National Assistance Act 1948. **Write off reason – Statute Barred**
27	Invoice dated 13/07/2009 amounting to £57,463.71, in respect of the final amount outstanding for overpayments. All attempts to recover this debt were unsuccessful and the debt is now statute barred. **Write off reason – Statute Barred**
28	Invoice dated 11/06/2010 amounting to £31,847.93 in respect of an overpayment as a Primary Care Trust also paid for Community Health Care. All attempts to recover this debt were unsuccessful and the debt is now statute barred and cannot be pursued through the Courts. **Write off reason – Statute Barred**

29	Invoice dated 02/02/2011 amounting to £19,457.14, in respect of an overpayment. All attempts to recover this debt were unsuccessful and the debt is now statute barred. **Write off reason – Statute Barred**
30	Invoice dated 19/05/2010 amounting to £8,028.60 in respect of an overpayment of additional residential nursing care charges. All attempts to recover this debt were unsuccessful and the debt is now statute barred and cannot be pursued through the Courts. **Write off reason – Statute Barred**
31	Invoice dated 19/10/2009 amounting to £7,856.57 in respect of an overpayment of additional residential nursing care charges. Client died and attempts to recover this debt were unsuccessful. The debt is now statute barred. **Write off reason – Statute Barred**
32	Invoice dated 02/02/2011 amounting to £7,205.59 in respect of an overpayment for services. Attempts to recover this debt were unsuccessful. The debt is now statute barred. **Write off reason – Statute Barred**

DEBTORS – OTHER DIRECTORATES

Case	***Details***
1	Invoice dated 21/10/2010, amount £14,200 for delivery of assessment and final report raised by Children and Young People Department. Company went into liquidation/ bankruptcy and details of our claim has been lodged with the liquidators as an unsecured creditor **Write off reason – Liquidation**
2	Invoice dated 12/03/2009, amount £5,055.50, relating to Wirral Group Repair Scheme and a contribution for work completed on 18 Mallaby Street. Legal Services unable to trace the debtor despite an exhaustive search, leaving no alternative but to recommend the debt for write off. **Write off reason – No trace**
3	Invoice dated 13/11/2001 amount £5,499 for urgent works carried out on the Congregational Church in Oxton Road, Birkenhead. Whilst this had been registered as a Land charge against the property it is now statute barred and can no longer be pursued. **Write off reason – Statute Barred**

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WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **26 JUNE 2017** **TREASURY MANAGEMENT** **ANNUAL REPORT 2016/17**

Councillor Janette Williamson (Cabinet Member for Finance and Income Generation) said:

'The effective management of resources is integral to the success of the Council. Our commercial and proactive approach to the management of borrowings and investments continues to deliver substantial benefits whilst ensuring the sums invested are safe. This is real cash and amounted to £9.4 million of savings during 2016/17 which helps to fund services.'

REPORT SUMMARY

The Authority's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires the production of annual Prudential Indicators and a Treasury Management Strategy Statement on likely financing and investment activity. The Code also recommends that Members are informed of treasury management activities at least twice a year.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Department for Communities and Local Government (CLG) Investment Guidance.

Proactive Treasury Management activity has resulted in savings of £9.4 million:

- £7 million via a combination of a revised in-year Minimum Revenue Provision (MRP) calculation and associated backdated MRP adjustments.
- £2.4 million in year from interest costs deferred due to the use of internal resources.

The level of Capital Financing Debt, including the Merseyside Residuary Body Debt managed by the Council on behalf of the constituent authorities, was £191 million at 31 March 2017. This is reduction of £74 million since 1 April 2012.

The Council has complied with the Prudential Indicators as set out in the agreed Treasury Management Strategy for 2016/17.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

1 That the Treasury Management Annual Report for 2016/17 be agreed.

2 That the saving of £9.4 million from capital financing activities in 2016/17 be noted.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Wirral has adopted the CIPFA Code of Practice on Treasury Management ("the Code"), which includes regular update reports to Members of treasury activity. This report is the annual review for 2016/17

1.2 Under the Council's Financial Regulations any surplus resources, including any additional income, are returned to General Fund Balances and so used to support the delivery of other Council services.

2.0 OTHER OPTIONS CONSIDERED

2.1 There is a legal requirement to produce an Annual Report on Treasury Management activities so no other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Treasury management is defined by CIPFA as: "The management of the local authority 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."

3.2 Cabinet approves the Treasury Management Strategy at the start of each financial year. This identifies how it is proposed to finance capital expenditure, borrow and invest in the light of capital spending requirements, the interest rate forecasts and the expected economic conditions. During the year Cabinet receives a mid-year report on treasury management activities and at the end of each financial year and an Annual Report.

ECONOMIC BACKGROUND

3.3 **Growth & Inflation**: Uncertainty over the UK's future relationship with the European Union (EU) following the 'Brexit' result, the outcome of the US presidential election, and the slowdown witnessed in the Chinese economy in 2016 all resulted in significant market volatility during the year. UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the Referendum had an impact on import prices which, together with rising energy prices, resulted in Consumer Price Index (CPI) rising from 0.3% year on year in April 2016 to 2.3% year on year in March 2017.

3.4 Whilst economic growth consequences of leaving the EU remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the world will impact on economic activity and business investment, constrain investment and tighten credit availability.

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3.5 However, despite growth forecasts being downgraded, economic activity was buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the International Labour Organisation unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

3.6 **Monetary Policy**: This negative sentiment on economic growth prompted the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate economic risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (Quantitative Easing) and cheap funding for banks to maintain the supply of credit to the economy.

3.7 **Market Reaction**: In response to the Bank of England's August policy announcement, money market rates and bond yields declined to new record lows, based on the view that Bank Rate would remain extremely low for the foreseeable future. Equity markets rallied, although they displayed some volatility at the beginning of November following the US presidential election result. Money market rates for overnight and one week periods remained low since the Bank Rate was reduced in August 2016.

BORROWING AND DEBT MANAGEMENT

3.8 The Authority's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31 March 2017 was £332.4 million.

	Balance on 01/04/16 £000	Maturing Debt £000	New Borrowing £000	Balance on 31/03/17 £000
CAPITAL FINANCING REQUIREMENT	**340,954**			**332,378**
Short Term Capital Debt	10,948	(10,948)	11,494	11,497
Long Term Capital Debt	188,185	(9,101)	0	179,084
TOTAL CAPITAL DEBT	**199,133**	**(20,049)**	**11,494**	**190,578**
Temporary Cash flow Loans	9,003	(9,003)	28,003	28,003
Other Long Term Liabilities	50,403	(2,418)	0	47,985
TOTAL EXTERNAL DEBT	**258,539**	**(31,470)**	**39,497**	**266,566**

3.9 The difference between the Capital Financing Requirement and the level of External Debt is the extent to which the Authority is 'internally borrowed'. This is where the Authority utilises its own resources rather than take on external borrowing.

3.10 Affordability and the “cost of carry” remained important influences on the borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained lower than long-term rates, it was more cost effective in the short-term to use internal resources.

3.11 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose, the treasury management advisers, assist the Authority with this ‘cost of carry’ and breakeven analysis.

3.12 The chief objective when borrowing 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, with flexibility to renegotiate loans should the long-term plans change being a secondary objective.

3.13 Given the reductions in local government funding, the borrowing strategy continued to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

3.14 As a consequence of the decision to borrow internally, the Authority’s level of external borrowing has reduced significantly over recent years. The increase during 2016/17, (see section 3.8), is the result of the Authority undertaking temporary cash flow loans over the year end period. Long term external borrowing reduced during the year by £8.5 million.

3.15 With external borrowing reducing, the annual cost of financing this debt has also fallen year on year, generating savings, as illustrated below. These cost reductions, coupled with the deferral of further borrowing costs through internal borrowing provided substantial one-off savings.

Year	**Capital Financing Loans £m**	**Annual Interest Cost £m**
2011/12	264.4	10.9
2012/13	247.1	10.5
2013/14	216.9	9.8
2014/15	203.9	9.4
2015/16	199.1	9.2
2016/17	190.6	9.1

3.16 At 31 March 2017 the total external debt included £40.2 million for the Merseyside Residuary Body debt, which is repayable by other external organisations, which is administered by the Authority (£44.7 million at 31 March 2016).

3.17 The following table shows the long term loans repaid during the year.

Loans maturing in 2016/17	Principal £m	Fixed/ Variable	Rate %	Loan start date	Terms
*PWLB	6.00	Fixed	9.38	May 1989	Maturity
PWLB	0.50	Fixed	3.04	February 2010	E I P
PWLB	0.50	Fixed	2.94	March 2010	E I P
PWLB	0.50	Fixed	1.89	October 2010	E I P
PWLB	0.50	Fixed	2.30	November 2011	E I P
SALIX	0.50	Fixed	0.00	October 2015	E I P
Total Maturing Borrowing	**8.50**				
** Loan repaid was in respect of Merseyside Residual Debt Fund*					

3.18 The average rate of interest paid on long term borrowings as at 31 March 2017 was 5.75% (5.90% for 2015/16) and the average life is 29 years, the same as for 2015/16. It should be noted that the average rate calculation excludes the benefit received from the policy of using internal borrowing to delay borrowing for capital financing purposes. This incurs a £nil borrowing cost at the expense of foregone investment income (currently approximately 0.5%) and if included would reduce the average rate.

3.19 Temporary, short dated loans, predominantly from other local authorities remain affordable and attractive for periods of low cash flow.

Other Long-Term Liabilities

3.20 Other Long-Term Liabilities include the schools Private Finance Initiative (PFI) scheme and finance leases used to purchase vehicles plant and equipment. Under the International Financial Reporting Standards (IFRS) these items are now shown on the Balance Sheet as a Financial Liability and therefore need to be considered within any Treasury Management decision making process.

3.21 As at 31 March 2017 the PFI liability was valued at £48.0 million to be repaid by 2031.

Minimum Revenue Provision (MRP)

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

3.23 The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. DCLG prescribe various options to calculate this repayment provision.

3.24 One of the options given regarding the calculation of MRP to be charged in a year is 'Option 3' which bases the charge on the asset life of the asset funded from unsupported borrowing. The Treasury Management Mid-Year Report (Cabinet 7 November 2016) explained that within 'Option 3' there are two sub-options of calculation method. Adoption of either of these calculation methods would result in substantial savings, but to varying degrees dependant on the option chosen:

The difference between the two MRP option 3 methods is (subject to ratification) calculated to be £3.2 million (£3.2 million equal instalments v £6.4 million for annuity). Wirral's treasury advisers Arlingclose have assisted with work on the MRP calculations and approach. Given the technical accounting nature of the calculations and the backdating of adjustments in respect of past years liaison is also taking place with our external auditors Grant Thornton to ensure necessary compliance with accounting regulation and legislation. A number of authorities including others on Merseyside are currently calculating MRP using both methods within Option 3.

3.25 The Authority's MRP policy is now based upon Option 3 – The Annuity Method. This amendment in policy has resulted in a one-off saving of £7 million being generated in 2016/17 via a combination of a revised in-year calculation and associated backdated adjustments.

3.26 In 2016/17 the decision to continue to use internal resources in lieu of borrowing for capital purposes, thereby delaying the charging of MRP costs and the reduction in borrowing costs as illustrated in section 3.15 has helped generate further savings of £2.4 million whilst complying with the Regulations. In future years the temporary use of internal funds will have to be replaced by increased external borrowing so provides a short-term saving.

INVESTMENT ACTIVITY

3.27 Both the CIPFA and the CLG's Investment Guidance require the Authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The following table summarises the investment activity during the year.

Investment Counterparty	Balance 01/04/16 £000	Investments Made £000	Maturities £000	Balance 31/03/17 £000	Credit Rating
UK Local Authorities	13,000	2,000	(15,000)	0	AA
Banks	1,500 13,000	36,430 26,000	(26,930) (27,000)	11,000 12,000	AA- A
Building Societies	3,000 1,000	4,500 3,000	(7,500) (3,000)	0 1,000	A Unrated
Money Market Funds	16,595	449,550	(441,115)	25,030	AAA
Corporate	600	1,150	(650)	1,100	Unrated
Funds Managed Externally	2,000	0	0	2,000	AAA
TOTAL INVESTMENTS	**50,695**	**522,630**	**(521,195)**	**52,130**	

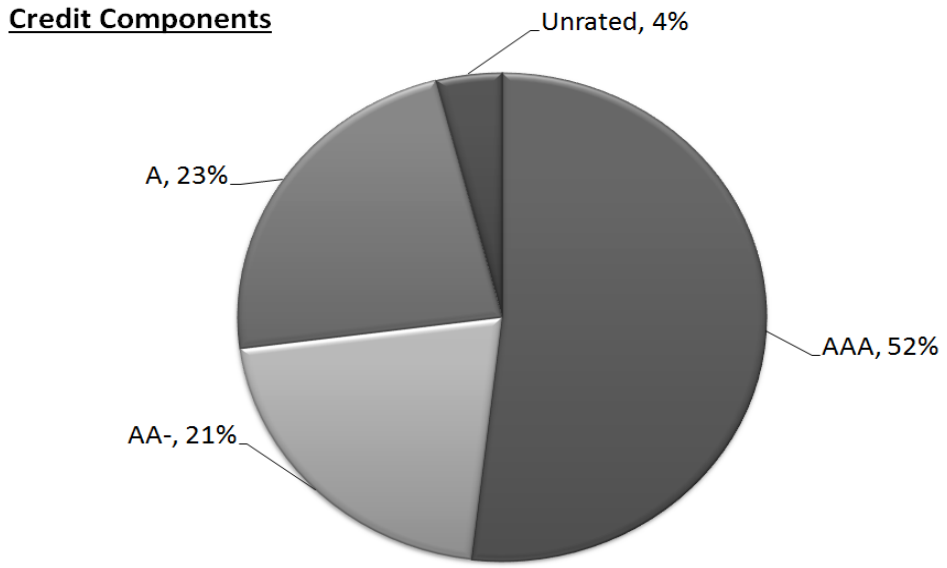
Note: Any unrated Building Societies utilised have been independently assessed as credit worthy

3.28 Security of capital remained the main investment objective. This was maintained by following the counterparty policy set out in the Treasury Management Strategy Statement for 2016/17 which defined "high credit quality" organisations as those having a long-term credit rating of BBB+ or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

3.29 Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating for 2016/17 was BBB+ across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

3.30 The following chart shows the credit composition of the Council's investment portfolio as at 31 March 2017:

Chart 1: Investment Portfolio – Credit Components



Note: *'Unrated' institutions are Building Societies that despite the absence of a formal rating, are deemed credit worthy due to analysis of their performance over a variety of credit metrics. These institutions are subject to a lower counterparty limit than those with formal credit ratings.*

3.31 Investments with Banks and Building Societies were primarily call accounts and fixed-rate term deposits. The maximum duration of any new investment was constantly reviewed in line with the prevailing credit outlook during the year as well as market conditions.

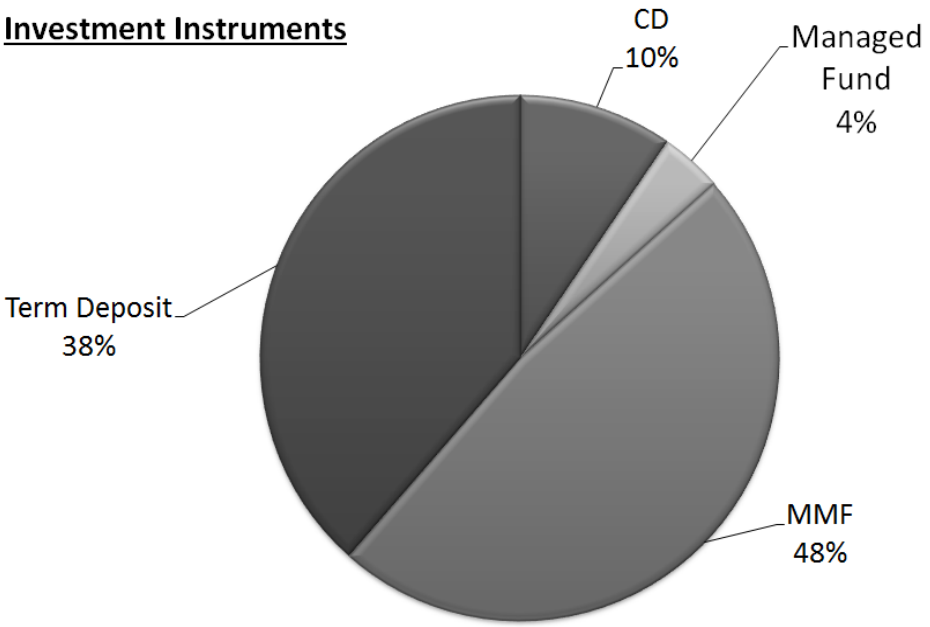
3.32 The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits has risen relative to other investment options. The Authority included further options for investment diversification in the Treasury Management Strategy Statement for 2016/17. In keeping with the DCLG Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of call accounts.

3.33 The Authority also has investments in externally managed cash plus funds which allow the Authority to diversify into asset classes other than cash with the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. The Authority's pooled fund investments are in the respective fund's 'distributing' share class which pay out the income generated.

3.34 Although money can be redeemed from the pooled funds at short notice, the Authority's intention is to hold them for the medium-term. Their performance and suitability in meeting the Authority's investment objectives are monitored regularly and discussed with Arlingclose.

3.35 For diversification purposes the Treasury Management team invest in a variety of counterparties and financial instruments to help mitigate counterparty and liquidity risks. A summary of the instruments invested in follows:

Chart 2: Investment Portfolio – Financial Instruments



3.36 Various indicators of credit risk reacted negatively to the result of the Referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

3.37 Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the EU Referendum outcome.

3.38 None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios. The tests were based on banks' financial position at 31December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

3.39 On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher Credit Default Swap (CDS) levels and disappointing 2015 financial results. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

3.40 In July 2016, following a review of unrated building societies' annual financial statements, Cumberland, Harpenden and Vernon building societies were removed from the Authority's list due to a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven other societies from 6 months to 100 days due to the uncertainty facing the UK housing market following the EU referendum.

3.41 As stated in the Revenue Monitoring reports the budgeted investment income for the year estimated at £0.86 million was unlikely to be achieved. The final income for the year was £0.36 million with the reduction due to:-

a) The continuing policy of relying on internal borrowing to temporarily fund and thereby delay borrowing for the Capital Programme, which also reduces balances available to put into investments.
b) Low interest rates offered for investments.

3.42 The average return on investments for 2016/17 was 0.5% (which compares with 0.6% for 2015/16). However this does not reflect the savings of an estimated 2.5% on delayed borrowing for amounts internally borrowed. The UK Bank Rate was reduced further to a new historic low of 0.25% in August 2016. The return on investments, along with our policy of internally borrowing, reflects prevailing market conditions and the objective of optimising returns commensurate with the principles of security and liquidity.

COMPLIANCE WITH PRUDENTIAL INDICATORS

3.43 The Authority confirms that it has complied with its Prudential Indicators for 2016/17, which were approved on 22 February 2016 as part of the Treasury Management Strategy Statement. Details can be found in the Appendix.

3.44 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during 2016/17. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4.0 FINANCIAL IMPLICATIONS

4.1 In the financial year 2016/17 proactive treasury management activities produced a one-off saving of £2.4 million. Adoption of the Annuity method for calculating MRP, as outlined above, increased this to £9.4 million.

4.2 Capital financing debt has reduced to £191 million, a decrease of £74 million since 2012, despite additional annual Capital commitments. This has also contributed to the generation of substantial savings.

4.3 Investment income has also helped to generate resources for service delivery.

5.0 LEGAL IMPLICATIONS

5.1 The Council's has adopted the CIPFA Code of Practice on Treasury Management. This requires the annual production of Prudential Indicators and a Treasury Management Strategy Statement and the reporting of treasury management activities at least twice a year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Council is responsible for treasury decisions and activity and none of these decisions are without risk. The successful identification, monitoring and control of risk are important and the main risks 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 There has been no specific consultation with regards to this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

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APPENDICES

Appendix Prudential Indicators 2016/17

SUBJECT HISTORY

Council Meeting	Date
Treasury Management Annual Report 2015/16	16 July 2016
Treasury Management Strategy Statement 2016/17	22 February 2016
Treasury Management Mid-Year Report 2016/17	7 November 2016

APPENDIX

PRUDENTIAL INDICATORS 2016/17

(a) Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2016/17 to 2018/19 are shown in the table below:

Capital Financing Requirement	**31/03/2017 Actual £m**	31/03/2018 Estimate £m	31/03/2019 Estimate £m
General Fund	**332.4**	354.0	354.0

Gross Debt and the Capital Financing Requirement:

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

Debt	**31/03/2017 Actual £m**	31/03/2018 Estimate £m	31/03/19 Estimate £m
Borrowing	**218.6**	240.5	268.6
Finance Leases	**0.0**	0.4	0.5
PFI liabilities	**48.0**	45.5	43.0
Total Debt	**266.6**	286.4	312.1
Borrowing in excess of CFR?	**No**	**No**	**No**

Total debt is expected to remain below the CFR during the forecast period.

(b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases and the Private Finance Initiative that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

There were no breaches to the Authorised Limit and the Operational Boundary during 2016/17.

	Operational Boundary (Approved) 31/03/2017 £m	Authorised Limit (Approved) 31/03/2017 £m	**Actual External Debt 31/03/2017 £m**
Borrowing	418.0	428.0	218.6
Other Long-term Liabilities	60.0	65.0	48.0
Total	**478.0**	**493.0**	**266.6**

(c) Upper Limits for Fixed and Variable Interest Rate Exposure

These allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on the portfolio of investments.

Interest Rate Exposure	**Fixed Rate of Interest**	**Variable Rate of Interest**	**Total**
Borrowings	£218.6m	£0m	**£218.6m**
Proportion of Borrowings	100%	0%	**100%**
Upper Limit	100%	100%	
Investments	£25.1m	£27.0m	**£52.1m**
Proportion of Investments	48%	52%	**100%**
Upper Limit	100%	100%	
Net Borrowing	£193.5m	-£27.0m	**£166.5m**
Proportion of Total Net Borrowing	116%	-16%	**100%**

(d) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	**Lower Limit**	**Upper Limit %**	**Actual Fixed Rate Borrowing at 31/03/17 £m**	**Actual Fixed Rate Borrowing at 31/03/17 %**
Under 12 months	0	80	39.5	18.1
12 months and within 24 months	0	50	7.6	3.5
24 months and within 5 years	0	50	19.4	8.9
5 years and within 10 years	0	50	23.7	10.8
10 years and over	0	100	128.4	58.7
Total			218.6	100.0

(e) Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days and for 2016/17 the limit was set at £30 million.

As at 31 March 2017 the Council had £1.1 million that potentially could be invested for longer than 364 days.

(f) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and in particular, to consider the impact on Council Tax. The updated projections for 2017/18 and 2018/19 are included as a separate agenda item to this committee.

Expenditure	**31/03/17 Actual £m**	31/03/18 Estimate £m	31/03/19 Estimate £m
General Fund	**25.3**	**77.5**	**28.3**

Capital expenditure has or will be funded as follows:

Capital Financing	**31/03/17 Actual £m**	31/03/18 Estimate £m	31/03/19 Estimate £m
Capital receipts	**5.9**	17.7	0
Grants and Contributions	**11.8**	24.6	14.5
Revenue and Reserves	**0.3**	0.2	0
Unsupported borrowing	**7.3**	35.0	13.8
Total Funding	**25.3**	**77.5**	**28.3**

(g) Ratio of financing costs to net revenue stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The ratio is based on costs net of investment income.

Ratio of Finance Costs to Net Revenue Stream	**2016/17 Actual %**	**2017/18 Actual %**	**2018/19 Actual %**
Ratio	6.29	9.85	11.18

(h) Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with the equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	**2016/17 Actual £**	**2017/18 Actual £**	**2018/19 Actual £**
Increase in Band D Council Tax	0.00	7.70	27.46

(i) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

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

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MINUTE EXTRACT

ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

18 JULY 2016

5 **COASTAL STRATEGY SCRUTINY REPORT**

The Committee considered the report of the Members of the Coastal Strategy Scrutiny Review Panel which provided the findings and recommendations emanating from the Coastal Strategy Scrutiny Review.

A copy of the final report was attached as appendix 1.

Introduced by the Chair of the former Regeneration and Environment Policy and Performance Committee, the report detailed the work undertaken by the Task and Finish Group and their recommendations and conclusions.

The Chair of the Task and Finish Group thanked all Members and officers for all their hard work in putting together the final report, and highlighted one of the Panel's recommendations which focused on improved communications with elected Members.

RESOLVED: That

(1) Members of the Panel be thanked for all their work in undertaking the Coastal Strategy Scrutiny Review;

(2) The final scrutiny report Coastal Strategy be supported and be referred to the next appropriate Cabinet meeting.

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WIRRAL

 **CLLR PHILL BRIGHTMORE** **ENVIRONMENT**	**CABINET** **26 JUNE 2017** **COASTAL STRATEGY SCRUTINY REVIEW**

Councillor Phill Brightmore, Cabinet Member for Environment said:

"Effectively managing flood risk is essential to protect our coastal communities and our Coastal Strategy plays a key role in this.

I am grateful to the Members of all parties who took part in this scrutiny review and I believe the insight they have provided will prove extremely valuable as we continue our work in this area.

I am pleased to support all of the four key recommendations arising from this report for endorsement by Cabinet."

REPORT SUMMARY

This report sets out the findings of the review, as conducted by the Task & Finish Scrutiny Review Panel, following the Wirral Coastal Strategy Scrutiny presented to the former Regeneration & Environment Policy & Performance Committee. The purpose of the review was to look at how the Council will deliver the Coastal Strategy with a focus on how coastal defence will be delivered in areas that require intervention in the short term.

The review links to the Wirral Plan for 2020 and in particular the pledge under the Environment theme to ensure that:

- Wirral's neighbourhoods are safe

The report identified that funding is a key issue for the delivery of coastal defence schemes and recommended that all viable funding opportunities should be explored to

support scheme delivery prior to consideration of internal capital bids. The report also recognised the value of Local Levy as an alternative funding source for scheme delivery and recommended support for approval of annual increases in contributions.

The theme of maximising opportunities in relation to funding was also carried through to ensuring coastal defence schemes tie-in, where possible, to regeneration opportunities.

Awareness of flood and coastal erosion risk was also highlighted and it was acknowledged that Members have an important role to play in engaging with Wirral's residents and businesses in raising awareness of this risk.

RECOMMENDATION/S

Cabinet are requested to:

(1) Note the findings of the Review and thank the Members of all parties that took part; and

(2) Endorse the four key Recommendations set out in the Executive Summary of the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 Cabinet are requested to endorse the findings of this Review so that implementation of the recommendations can commence.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 The full scrutiny report appended to this cover report sets out the findings and recommendations arising from a Scrutiny Review completed in summer 2016. The final report was considered by the Environment Overview and Scrutiny Committee in July 2016, where it was agreed that it should be referred to Cabinet for consideration of the findings and recommendations.

3.2 Due to scheduling there has been a slight delay in this report being referred back to Cabinet, however in the meantime good progress has been made in the development and submission of the business case to secure Grant Aid for a scheme to reduce the risk of sea flooding at West Kirby.

4.0 FINANCIAL IMPLICATIONS

4.1 All recommendations are based on implementation through existing resources.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 All recommendations are based on implementation through existing resources.

7.0 RELEVANT RISKS

7.1 There are none arising from this report.

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultation with the relevant service team and related external organisations has been undertaken as part of this Review.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

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APPENDICES

Coastal Strategy Scrutiny Review report.

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Environment Overview & Scrutiny Committee	**18 July 2016**

Coastal Strategy
Scrutiny Review

A report produced by

The Regeneration and Environment Policy & Performance Committee

FINAL REPORT

July 2016

WIRRAL BOROUGH COUNCIL

Coastal Strategy Scrutiny Review

FINAL REPORT

1 EXECUTIVE SUMMARY

Wirral's Coastal Strategy was approved by Cabinet in October 2013 and identifies a timescale for intervention to reduce flood and coastal erosion risk. Four priority areas have been identified where intervention has been as being required in the next 20 years (West Kirby, Meols Parade, Rock Park and Wallasey Embankment).

The Review Panel heard that DEFRA (Department for Environment Food & Rural Affairs) requires Shoreline Management Plans and coastal strategies to be in place in order for access to capital funding that is administered by the Environmental Agency. The Council is supported by the Environment Agency and heard from the Flood and Coastal Risk Management Advisor from their Partnerships and Strategic Overview team on the excellent formal and informal working arrangements to help Wirral deliver the Coastal Strategy.

The Review Panel heard that central government funding is distributed as Flood Defence Grant in Aid (FDGiA) and is allocated nationally based on ranking of projects. For grants to be successful when applied for, there needs to be a clear demonstration that a percentage of funding required has been raised by local partners. The Scrutiny Review identified that this can be challenging in the economic climate and that there is a need to be innovative in looking at other sources, including approaches taken by other local authorities and combining Coastal Strategy schemes with other regeneration opportunities.

Recommendation 1

Officers should ensure that all funding opportunities are fully explored to deliver the Council's Coastal Strategy, including:

ii) Potential funding from the Devolution deal as part of the Liverpool City Region Combined Authority
ii) Maintaining a strong joined-up approach to deliver coastal strategy schemes with other regeneration opportunities where significant benefits can be realised; and
iii) Identifying any innovative approaches to meeting funding gaps taken by other local authorities.

Recommendation 2

Where it has been clearly demonstrated that all funding opportunities have been exhausted, it is a recommendation of the Review Panel that any internal capital bids are considered and supported by Cabinet where deemed appropriate.

The Review panel learned the value of the Local Levy as a source of funding for schemes. Wirral Council makes annual contributions to the Local Levy for the Environmental Agency to administer flood risk management through the north-west region and for 2015/16, Wirral paid £166,222 (with an anticipated 2% increase each year). Decisions are made by the Regional Flood and Coastal Committee (RFCC) which is comprised of a number of partnerships. The Merseyside Partnership includes Wirral who can apply for funding to be allocated to a scheme as long as it has DEFRA approval indicating that it is viable. In looking at the delivery of the four short-term schemes to be delivered, the Review Panel confirmed that the Local Levy funding is detrimental to ensuring their delivery. The review confirmed the Wirral is also one of the authorities that is currently benefitting the most through funding being provided

exceeding the contributions made up to the point when all four schemes are expected to be delivered.

Recommendation 3
The Review Panel recognises the value of Local Levy funding to enable Wirral to deliver schemes identified in the Coastal Strategy. It therefore requests that the Council strongly supports any proposed annual increases in Local Levy contributions by the RFCC to ensure the Coastal Strategy can be delivered.

The review identified that Members can help their constituents, particularly those that are part of Wirral's coastal communities. The Review Panel concludes that Members can play a more active role in engaging with residents and businesses to help them understand flood risk management.

Recommendation 4
Officers should establish a process to develop Members understanding of flood risk management to enable them to engage with their constituents on these risks. Although the Review Panel is concerned with those residents and business that are situated on Wirral's coastline, all Members should be included as part of this process.

2. INTRODUCTION

As part of the Regeneration and Environment Policy & Performance Committee's work programme, a scrutiny review of the Coastal Strategy was agreed and a Review Panel comprising of three Members of the Committee was established. The purpose of the review was to look at how the Council will deliver the Coastal Strategy, and in particular, the areas that require intervention in the short-term.

3. ORIGINAL SCOPE AND METHODOLOGY

3.1 Scope

A scoping meeting was convened with the Review Panel, the Head of Environment and Regulation and the Highways and Assets Team Leader to get an overview of the Coastal Strategy.

The agreed scoping document is included as Appendix 1. It was agreed that the focus of the review would concentrate on the following key areas:

- To review how Wirral Council is delivering the Coastal Strategy, particularly in relation to the four schemes identified as requiring intervention in the short-term.
- To ensure that all funding opportunities are explored where there are shortfalls.
- To ensure Wirral engages with the Regional Flood and Coastal Committee and that it seeks to get value from the contributions it makes to deliver the Coastal Strategy schemes.

3.2 Methodology

The Review Panel agreed that the scrutiny review would fall under the category of a short review. An initial briefing session with the Review Panel, the Highway Assets Team Leader and the Head of Environment and Regulation was convened to provide a comprehensive overview of the Coastal Strategy prior to the formal scoping meeting. Question and answer evidence sessions were convened as the approach for the review to enable Members to determine its findings and recommendations.

The Environment Agency's Flood and Coastal Risk Management Advisor from their Partnerships and Strategic Overview team was invited to attend one of the evidence sessions. This enabled Members of the Review Panel to further understand the role of the Environment Agency and provide further information relating to the funding element of the Coastal Strategy.

4. FINDINGS AND RECOMMENDATIONS

4.1 Background to the Wirral Coastal Strategy

In England, coastal defence is managed through the Department for Environment, Food and Rural Affairs (Defra) and administered through the Environment Agency. The hierarchical approach to coastal management is demonstrated through Shoreline Management Plans (SMPs) which sets out the policies for the coastline over three epochs; short-term of up to 20 years, medium term from 20 to 50 years and long-term which is up to 100 years. SMPs were first introduced in 1999 and the most recent review was completed in 2009.

The policies contained within the current North West England and North Wales Shoreline Management Plan to manage the long length of coastline were adopted by Cabinet in September 2010. In areas where there are a number of properties or businesses, the policy could be 'Hold the Line' and looks at taking action to maintain the current defence line which may or may not be artificially defended (hard structures) at the present time. In some cases 'the line' might be sand dunes, mud flats or cliffs and the stretch of coast in question could be subject of works, as necessary, in the future. A policy of 'No Active Intervention' could also be applied where no action is taken to protect the coastline.

Coastal Strategies identify how and when SMP policies can be implemented. Wirral's Coastal Strategy was a recommendation of this last SMP review with work starting in 2011. Wirral's Coastal Strategy was approved by Cabinet in October 2013 and is not a statutory document but Wirral, as a Coastal Erosion Risk Management Authority, undertook its production. Policies relating to all stretches of coastline are addressed in the strategy and those "Hold the Line" policies which require investment are subject to an outline business case with a timetable for implementation.

<u>Local Flood Risk Management Strategies</u>
The Flood and Water Management Act 2010 (FWMA) created Lead Local Flood Authorities (LLFA) and Wirral is one of them. The Act placed statutory duties on LLFAs including the production of Local Flood Risk Management Strategies (LFRMS). These strategies require LLFAs to identify all forms of flood risk in their area (whether it be from the sea, rivers, surface water, sewers or groundwater), identify the relevant Risk Management Authority for managing the source of risk and to identify how the risk can be managed through the delivery of FWMA statutory duties and through investment leading to greater understanding.

The LFRMS takes account of the Coastal Strategy and the Action Plan for managing flood and erosion risk at the coast, but it does not set out the business case for managing other forms of flood risk. It does, however, advocate further study, working with other flood risk management authorities, to understand that risk and to identify priorities for economic analysis and investment. This is particularly important to note in relation to the flooding that occurred in Wirral in September 2015. As Wirral is a LLFA, it needs to meet its statutory requirement under Section 19 of the Flood and Water Management Act 2010 to publish the results of an investigation into significant flooding in the Wirral.

The Coastal Strategy looks at tidal flood and coastal erosion risk in greater detail. This includes the number of properties at a strategic level that are protected by coastal defences

from tidal flooding and erosion. It also looks at how these risks change over the 100 years and how and when 'Hold the Line' policies can best be implemented.

4.2 Coastal Strategy Prioritised Works

The output from the approved coastal strategy is a management plan of actions for each strategic length of coastline. Each length of coastline has an identified policy which can be implemented. It was explained to the Review Panel that the Coastal Strategy looks at the whole coast and assesses the Shoreline Management Plan policy for each length of coast against more detailed information relating to coastal processes, environment, climate change and economics to identify where the Council needs to do work in the next 20 years. The Review Panel discussed the four areas that have been identified through this process.

West Kirby – Works are required to provide protection from flooding by construction of secondary linear defences. Properties along the West Kirby frontage were identified to be at significant flood risk and later demonstrated by the floods that took place in December 2013.

Wallasey Embankment – This is to reduce flood risk to Moreton and Leasowe. Erosion at the toe of the embankment is increasing the risk of failure of the structure with an associated increase risk of flooding inland. However, the rate of erosion, at present estimates, does not require immediate intervention, but towards the end of the "Short Term" 20 year period.

Rock Park – This length of coastline comprises of predominantly residential developments to the south of the Shell Tranmere Oil Terminal. The works here are related to the maintenance and refurbishment of the existing river wall that is in poor condition and at risk of failure. Failure of the defences would result in increased erosion thereby threatening the waterside properties.

Meols – there is a requirement to carry out works to improve the long term integrity of the defences at Meols Parade, where damage to the existing defences threatens the integrity of residential property and highway infrastructure. Erosion risk is significant as the sea wall is over 110 years old and residual life is less than 25 years.

4.3 Funding Approaches

To help Members with the review, the Flood and Coastal Risk Management Advisor from the Environment Agency was invited to discuss the funding approaches to help deliver coastal strategies. The Review Panel learned that, given the economic pressures being experienced in the public sector, securing enough funding for flood and coastal risk management work has been challenging and that the need heavily outweighs total funding available. Although there has been an increase in investment from central government, more funding is required and resulted in the 'partnership funding approach' being introduced by Defra. There is now a move to a partnership funding approach which means schemes would not be able to rely solely on central government funding but would have to look at obtaining financial input from local partners. This approach allows central government to contribute to a larger number of projects but would require funding to be found from other sources.

Flood Defence Grant in Aid

The Flood and Coastal Risk Management Advisor provided an overview of how central government provided funding for schemes through Flood Defence Grant in Aid (FDGiA). It was explained that historically, government used to only be able to fund some coastal strategy schemes but with 100% funding provided. However, following a government review in 2011, changes were made to ensure that more schemes can be funded through contributions being made by local authorities to meet shortfalls. Allocation of funding would now be determined as an outcome of prioritisation on a national level through ranking all projects according to a defined scoring system.

It was further explained that every proposal will be eligible for a certain amount of FDGiA funding based mainly on the properties that the scheme will protect and the benefits the scheme will deliver. Although schemes will generally achieve 55% of FDGiA funding, this does depend on the merits of each scheme and the score it will generate to determine how much is awarded. The Environment Agency needs to know over the full six years when the requests for funding are coming from local authorities which it can then approve to enable it to give more certainty on funding for schemes. Until recently, government only provided the EA with funding on a year by year basis so it was difficult to plan. In the last two years, the EA has secured a six year settlement from government to provide a more secure programme.

Schemes need to be included in the Investment Programme that is coordinated by the Environment Agency. Some schemes will be fully funded whilst others will get some or very little. Prioritisation of schemes is based on the likelihood of meeting the shortfalls to ensure all funding is available. West Kirby is a priority scheme because the business case in the Coastal Strategy determined that if the Council delivered a scheme after 20 years, a lot of properties are currently likely to be subject to frequent flooding, would not incur further flood damage. The Review Panel commented that, in respect to tourism for the area, would also be crucial. Through accelerating works and making it a priority, these damages will not be incurred and the scheme will get a better cost-benefit ratio. This also helps build the business case to support a request for grant aid from the Environment Agency as cost-benefit ratio is one of the areas considered by the Environment Agency, along with the number of properties removed from flood risk and Partnership Funding contributions secured.

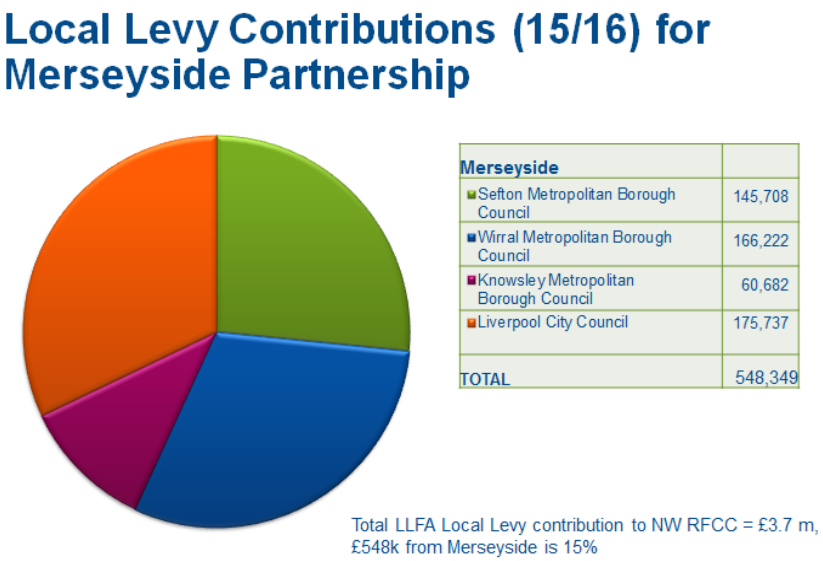
Local Levy Funding

The Review Panel learned that a critical source of funding for schemes come from the Local Levy that Wirral pays into each year for the Environment Agency to administer flood risk management through the North West Region.

Local Levy is set by the Regional Flood and Coastal Committee (RFCC) and charged to Lead Local Flood Authorities in that region. The RFCC is comprised of a number of partnerships and Wirral is part of the Merseyside Partnership that is represented and chaired by the Portfolio Holder for Environment. Decisions to support coastal projects as well as wider flood risk management activities are made by the RFCC with some funding being ‘pooled’. Wirral can apply for Local Levy funding to be allocated to a scheme as long as it has DEFRA approval indicating that it is viable.

Wirral paid £166,222 in Local Levy contributions for 2015/16 but each year there is a review of the local levy contributions and a vote by RFCC members about whether to increase the levy or keep it at the same level. A 2% increase was recently approved by the Committee. The benefit of Local Levy funding is that you are not bound by constraints that you would get from

FDGiA funding and having to compete against other local authorities around the country. The graph below compares contributions made within for the Merseyside Partnership in 2015/16.



4.4 Funding and delivery of short term priority schemes

The Review Panel was updated on the current progress of delivering the four short-term priority schemes from the Coastal Strategy.

West Kirby

The profile of West Kirby following the storms in 2013 has been raised with a number of houses and businesses having been subject to flooding. Economic analysis was carried out after the Wirral Coastal Strategy was developed and at the time it was determined that the Council would need to find £1.8M to £2M of investment. The number of properties that could be protected from the initial assessment identified that £650K Flood Defence Grant in Aid (FDGiA) from the EA could be secured with approximately a £1.3M shortfall. £200K was identified through the Flood and Water Management Act and Cabinet approved £500K of capital. Local Levy funding of £500K completed the total amount required to deliver the scheme. The proposals to reduce flood risk in West Kirby went out to public consultation to gauge opinions and the popular option was a structure set back on the promenade as opposed to at the railings. The project appraisal report which looks at the whole economic benefits in detail for delivering the scheme has now been completed and finalised for submission to the EA for scrutiny. The EA needs to ensure that it is correct and that what Wirral says it will deliver is feasible economically and technically. Once the project is assured by the EA, the grant aid to deliver scheme will be made available.

The scheme was brought forward due to the funding opportunities available even though it was determined that it was not needed for a few years. The Review Panel considered the scheme for West Kirby as being important as it is an established area that can improve the visitor economy to Wirral. The fact that the scheme was brought forward was seen as beneficial.

Meols Parade

This is the next likely scheme to be delivered and requires the most local levy funding. The proposal is to simply strengthen the wall and will require £4M funding. It is likely only £1.2M FDGiA will be made available so there will be a significant shortfall and £1.2M has been requested in the Local Levy bidding process. There is still a shortfall but the scheme will not need to be delivered for a few years because of limited budgets being made available each year. Public contributions have been identified as a source of funding for year 3 (2018/19) so various capital bids will be submitted. There will be a £1.7M shortfall so contributions over 5 years are being looked at as it is a 5 year scheme.

Rock Park

This is essentially a restoration project which the Coastal Strategy has identified £1.66M of funding being needed to restore the esplanade. As it is in an area of deprivation, it can draw in more FDGiA funding. £760K grant in aid can be obtained due to the properties at risk as well as being in an area of deprivation. Local Levy funding of £900K has been identified and should meet the £1.66M that is needed.

Wallasey Embankment

Because of the scoring for funding, this will receive the full allocation of grant aid due to the high number of properties so there are no immediate concerns on funding. The works carried out will look at reinforcing the embankment. However, there is a non-immediate erosion problem so the area will need intervention towards the end of the 20 year "Short Term" timeframe.

The Review Panel identified that the working relationship between Council officers and the EA was crucial to help deliver schemes and assurances that this is in place was provided by the Flood and Coastal Risk Management Advisor . It was explained to the Review Panel that the Environment Agency has a national strategic overview for managing flood and coastal erosion risk. In practice, this means that on coastal matters Wirral works closely and collaboratively with the EA with strategic studies such as the SMP and Wirral Coastal Strategy demonstrating compliance with the Environment Agency's overall vision. The Review Panel welcomed that, on a local level, Wirral Council and the Environment Agency are professional partners, working closely through informal and formal arrangements to try and maximise the benefits for investment to Wirral through delivery of the Wirral Coastal Strategy. This is particularly important where there is a challenge to boost Wirral's score by ensuring the partnership funding element is supported by other funding.

It was explained that opportunities to identify other sources of funding would form part of the respective business case for delivering schemes which may lead to them being successfully delivered early. The Review Panel queried the feasibility of a number of options as potential avenues for funding. One of these was through applying a Community Infrastructure Levy which is a levy against developers on new properties. However, it was explained that for existing properties in an area, a Community Infrastructure Levy would already have had to be in place to raise funds.

Other sources of funding explored by the Council have included Lottery funding, the Regional Growth Fund and the potential for resident contributions. At the time when the Coastal Strategy was developed, it was anticipated that a Heritage Lottery Grant would be received but this may now be unlikely. Members noted that there is reference to the environment and River Mersey as part of the Liverpool City Region Devolution arrangements as well as the

single investment fund of £30 million over 30 years. The issue in identifying sources of funding is that the Coastal Strategy identifies schemes to be implemented so you cannot change where you need to invest. The Review Panel acknowledges the funding gaps as a significant challenge to deliver schemes is a national issue and that officers may need to make capital bids to meet these shortfalls. However, there is also a need to be innovative in looking at other ways of securing funding in the future with the Council facing competing demands for capital investment.

In relation to the Rock Park scheme, the Review Panel pointed out that it is located where there is a lot of potential for regeneration opportunities and that if regeneration work was carried out on the esplanade, this could help the Council deliver the scheme detailed in the Coastal Strategy in terms of securing the FDGiA funding. It was explained by the Highway Assets Team Leader that the figures detailed in the coastal strategy for Rock Park were informed by the Mersey Coastal Park Strategy which considered improved access and a cycle way. If the regeneration strategy was to go ahead, this would benefit the scheme for Rock Park. It was explained by the Flood and Coastal Risk Management Advisor that this is the principal of government changing funding where in the past engineers simply concentrated on preventing flooding and regeneration opportunities would be considered later. It is more holistic in looking at everything together by combining schemes to see what opportunities can be gained. Furthermore, the Review Panel acknowledged a comment made by the Flood and Coastal Risk Management Advisor that Members should be encouraged to consider opportunities and promote ideas which could be raised with council officers which the Council may not be fully aware of.

Recommendation 1

Officers should ensure that all funding opportunities are fully explored to deliver the Council's Coastal Strategy, including:

ii) Potential funding from the Devolution deal as part of the Liverpool City Region Combined Authority
ii) Maintaining a strong joined-up approach to deliver coastal strategy schemes with other regeneration opportunities where significant benefits can be realised; and
iii) Identifying any innovative approaches to meeting funding gaps taken by other local authorities.

Recommendation 2

Where it has been clearly demonstrated that all funding opportunities have been exhausted, it is a recommendation of the Review Panel that any internal capital bids are considered and supported by Cabinet where deemed appropriate.

As part of the Scrutiny Review, Panel Members wanted assurance that Wirral was taking all opportunities to access Local Levy funding to help deliver Wirral's schemes as well as considering the return on the investment through the annual contributions made. As stated earlier in this report, Wirral's contribution for 2015/16 is £166,222. The Local Levy contributions Wirral has made since 2013 against the expected Local Levy funding which will be drawn is shown in Fig.1 below. Contributions made from 2017/18 are based on an assumption that a 2% increase will be applied by the RFCC. IT should also be noted that

contributions for the delivery of recommendations of the LFRMS (74K) are not included in the table below as these do not form part of the Wirral Coastal Strategy.

Fig. 1

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	TOTAL
Levy Paid (£)	164,044	163,358	166,222	167,920	171,278	174,704	178,198	181,762	185,397	189,105	192,887	**1,934,875**
Forecast Contributions (£)												
West Kirby				60,000	440,000							
Rock Park Esplanade								543,992	524,898			
Meols Parade						50,000	219,404	228,231	235,013	243,246	251,756	
Wallasey Embankment	No Levy Contributions required as funded completely by Grant Aid											
Total (£)	0	0	0	60,000	440,000	50,000	219,404	772,223	759,911	243,246	251,756	**2,796,540**

Looking at the funding that is to be drawn covering the period where Wirral's short-term schemes are to be delivered, there is a clear demonstration of the importance of Local Levy funding and that Wirral is an authority that is likely to be a net receiver against contributions made (£1,934,875 paid in against an anticipated £2,796,540 in funding received up to 2024). It is also noted that across the North West Region, some authorities will get more out than others over the coming years and Wirral is one that is currently benefiting.

To support local levy applications, The Review Panel was informed that the Chair of the North West RFCC was invited to Wirral to see the damage caused at Meols, the flooding at West Kirby and the significant erosion at Wallasey Embankment. By demonstrating the impact of the coast to the Chair of the Committee, the Review Panel was encouraged that this provided support to the bids that Wirral put in for local levy contributions.

Recommendation 3
The Review Panel recognises the value of Local Levy funding to enable Wirral to deliver schemes identified in the Coastal Strategy. It therefore requests that the Council strongly supports any proposed annual increases in Local Levy contributions by the RFCC to ensure the Coastal Strategy can be delivered.

4.5 Engagement with coastal communities

The Review Panel acknowledged comments made by the Flood and Coastal Risk Management Advisor that outside of hard structures and coastal defences, consideration also needs to be given to flood risk management along the coast and the importance of engaging with residents and businesses to enable them to understand these risks. This is an area that the Environment Agency strongly advocates to local authorities. As well as the Council supporting this, it was also stated and agreed by the Review Panel that Members would also have a key role through talking to their constituents. Key messages could be conveyed about what they could do to manage flood risk and what they should do if there is going to be a flood. Key areas which may flood easily could be targeted so residents and businesses would

be a lot more aware of the risk than they were beforehand. The Flood and Coastal Risk Management Advisor added that the Environment Agency could support this through providing key messages. The Review Panel endorsed this approach but stressed that all Members should fulfil this role and not just those whose wards are located on the coastline.

Recommendation 4
Officers should establish a process to develop Members understanding of flood risk management to enable them to engage with their constituents on these risks. Although the Review Panel is concerned with those residents and business that are situated on Wirral's coastline, all Members should be included as part of this process.

5. CONCLUSIONS

The Review Panel was encouraged by the collaborative partnership arrangements in place between Council Officers and the Environment Agency to enable the Coastal Strategy to be delivered. This is particularly important when trying to maximise the investments to Wirral.

The Review Panel acknowledged the funding gaps for delivery of the Coastal Strategy and that all opportunities for funding schemes must be considered in light of this. As this is a national issue, it is prudent for Wirral to look at any innovative approaches taken by other local authorities. Maintaining a joined-up approach to delivering the strategies schemes with other regeneration opportunities is also important as this could help deliver schemes quicker through access to more funding.

The value of Local Levy funding has been demonstrated and the annual contributions made provide an invaluable crucial source of funding for the Coastal Strategy delivery.

The Review Panel believe that Members' flood risk management awareness across Wirral's coastline should be enhanced as they can fulfil a role of working with their constituents on managing risks. This is particularly important to help protect those residents and business that are at risk of flooding.

6. MEMBERS OF THE TASK & FINISH GROUP

Councillor Mike Sullivan (Chair)

Chair's Statement:

"The flooding experience in September 2015 and, in particular, West Kirby in 2013 has highlighted the importance of managing flood risk. The Coastal Strategy plays a key role in this in protecting our coastal communities.

The Review Panel concluded that delivery of Wirral's Coastal Strategy depends on the excellent relationship the Council has with the Environment Agency to maximise benefits for Wirral and this was demonstrated through the review. Additionally, securing funding to deliver the Coastal Strategy schemes is a fundamental challenge and the Council must ensure that all funding opportunities are explored to reduce the impact on capital bids being requested.

I would like to thank the Members of the Review Panel, Officers and the Environment Agency's Flood and Coastal Risk Management Advisor from their Partnerships and Strategic Overview team for their contribution to this review."

Other Panel Members were:

Councillor Dave Mitchell

Councillor John Hale

Appendix 1

Scope Document

Review Title: Coastal Strategy
Date: July 2016

1. Contact Information:	
Scrutiny Panel Chair: Councillor Michael Sullivan michaelsullivan@wirral.gov.uk **Panel members:** Councillor Dave Mitchell davemitchell@wirral.gov.uk Councillor John Hale johnhale@wirral.gov.uk	**Scrutiny Officer(s):** Michael Lester Scrutiny Support Officer michaellester@wirral.gov.uk 691-8628 **Departmental Link Officers:** Mark Smith Head of Environment & Regulation marksmith@wirral.gov.uk 606-2103 Neil Thomas Highways and Assets Team Leader neilthomas@wirral.gov.uk 606-2004
Other Key Contacts: None identified at this time	

2. Review Aims:

Which Wirral Plan Pledge does this review relate to?
The Coastal Strategy supports the Pledge of 'Attractive local environment for Wirral residents'.

What are the main issues?

- The Coastal Strategy identifies areas that require intervention to reduce flood and coastal erosion risk. Four areas have been identified for intervention in the short-term. Members are interested in how these are to be delivered to improve management of flood and coastal erosion risk at these areas.

- Funding to deliver the schemes is challenging and requires other sources to be identified outside of what can be provided by the Environment Agency. How is Wirral Council taking up opportunities to secure funding to bridge the financial gaps?

- How the Local Levy has been used as partnership funding to support delivery of the areas identified for intervention in the Coastal Strategy. Is Wirral taking all opportunities to access the Local Levy against what it pays in on an annual basis? How does Wirral engage with the Regional Flood and Coastal Committee who determine local levy funding priorities?

The Panel's objectives in doing this work:

- To review how Wirral Council is delivering the Coastal Strategy, particularly in relation to the four schemes identified as requiring intervention in the short-term.
- To ensure that all funding opportunities are explored where there are shortfalls.
- To ensure Wirral engages with the Regional Flood and Coastal Committee and that it

seeks to get value from the contributions it makes to deliver the Coastal Strategy schemes.

The desired outputs/outcomes:

- Assurances will be provided that short-term priorities identified in the strategy are being delivered.
- Opportunities for further funding may be identified as part of the review

3. Review Approach

How will the Panel engage with the Executive?

- The findings and recommendations arising from the review will be discussed with the Portfolio Holder.
- The final report will be referred to Cabinet for consideration of the recommendations

Who will the Panel be trying to influence as part of its work?

- Senior Managers
- Cabinet

Duration of review?
It is anticipated that this will be short review conducted over a number of evidence sessions.

Extra resources needed? Would the investigation benefit from the co-operation of an expert witness?
None identified at this stage

4. Sources of Evidence:

Secondary information (background information, existing reports, legislation, central government documents, etc).

- Cabinet Report October 2013 (Approval of Coastal Strategy)
- Coastal Strategy

Primary/new evidence/information

- Background information relating to delivery of four areas identified for intervention in the short-term.
- Information on Local Levy contributions / funding arrangements
- A report on other potential sources of funding to support scheme delivery.

Who can provide us with further relevant evidence? (Cabinet portfolio holder, officer, service user, general public, expert witness, etc).
council officers to include:
Council officers
Environment Agency's Flood and Coastal Risk Management Advisor

What specific areas do we want them to cover when they give evidence? Officers (See above) Flood and Coastal Risk Management Advisor – • Feedback on the effectiveness of the arrangements between Wirral Council and the Environment Agency • Information on funding approaches and how schemes are considered for inclusion on the Environment Agency's investment programme
What processes can we use to feed into the review? (site visits/observations, face-to-face questioning, telephone survey, written questionnaire, etc). • Face to face questioning
In what ways can we involve the public and at what stages? (consider whole range of consultative mechanisms, local committees and local ward mechanisms). Not applicable at this stage
Should we involve the Press & Public Relations Team at any stage of the review? (Homepage news release, press releases etc) Not applicable

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