



# Budget Council

Town Hall  
Wallasey

23 February 2018

Dear Councillor

You are hereby summoned to attend a meeting of the Council to be held at **6.00 pm on Monday, 5 March 2018** in the Council Chamber, within the Town Hall, Wallasey, to take into consideration and determine upon the following subjects : -

**Contact Officer:** Patrick Sebastian  
**Tel:** 0151 691 8424  
**e-mail:** [patricksebastian@wirral.gov.uk](mailto:patricksebastian@wirral.gov.uk)  
**Website:** <http://www.wirral.gov.uk>

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## AGENDA

**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST / RESTRICTIONS ON VOTING**

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

**3. CIVIC MAYOR'S ANNOUNCEMENTS**

To receive the Civic Mayor's announcements.

**4. MINUTES**

**(Pages 1 - 36)**

To approve the accuracy of the minutes of the meetings of the Council held on 11 December 2017 (one ordinary meeting and one extraordinary meeting).

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

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

**6. PROPOSED CHANGES TO THE COUNCIL'S BUDGET AND POLICY FRAMEWORK PROCEDURE RULES (STANDING ORDERS) (Pages 37 - 42)**

Council to consider the recommendations referred from Cabinet (Minute 73(3), 18 December 2017 refers) to amend the Council's Budget and Policy Framework Procedure Rules (standing orders) contained as Part 4(c) of the Constitution.

**7. SUSPENSION OF STANDING ORDERS OF THE COUNCIL'S CONSTITUTION**

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

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

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

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

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

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

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

- (iii) Standing Order 12(10) relates to 'Amendments to be

dealt with in order' and provides that:

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

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

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

## **8. COUNCIL BUDGET (Pages 43 - 225)**

The Budget Debate will only consider:

- (i) the Cabinet's Budget Recommendations/Minutes, which shall include any additional paragraphs / recommendations (e.g. those relating to precepts), together with any other recommendation(s) / minute(s) from the Cabinet meeting held on 19 February 2018 (and/or any other relevant Cabinet meeting) that require approval by the Council; and
- (ii) any objections to the recommendations and those Alternative Budget Proposal(s) or Amendment(s) to the Cabinet's Budget Recommendations / Minutes referred to at (i) above that are duly lodged with the Assistant Director: Law and Governance (Monitoring Officer) on or before **12noon on Wednesday, 28 February 2018**.
- (iii) Budget Debate shall be conducted in accordance with the Budget Debate Process. Cabinet Minute 73(1), 18 December 2017 refers.

**(Pages 43 - 48)**

The following minutes of the Cabinet (Budget Meeting) held on 19 February 2018, are attached.

**Minute 81** – Capital Monitoring 2017/18 Quarter 3 (revised Capital Plan), (Cabinet Report attached). **(Pages 49 - 66)**

**Minute 82** - The 2018/19 Budget Proposals Scrutiny, copies of the Overview and Scrutiny Reports may be found here:

<http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=121&MId=5962>

**(Pages 67 - 68)**

**Minute 83 - CABINET BUDGET RESOLUTION 2018/19**

**(Pages 69 - 82)**

## Supporting Documents

- A Revenue Budget and Council Tax Levels 2018/19  
(Pages 83 - 142)
- B Treasury Management Strategy Statement 2018/21  
(Pages 143 - 178)
- C Capital Programme and Financing 2018/21  
(Pages 179 - 208)
- D Schools Budget and Funding Formula Changes 2018/19  
(Pages 209 - 225)

### 9. APPOINTMENTS

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

### 10. VACANCIES

Council shall consider any appointments to be approved or any changes proposed to existing appointments.

#### Committees

##### **Licensing, Health and Safety and General Purposes Committee**

Councillor Steve Foulkes to replace Councillor Tony Norbury as a deputy.

#### Outside Bodies

##### **Liverpool City Region - Employment and Skills Board:**

Councillor Pat Hackett to replace Councillor Phil Davies.

##### **Merseyside Society for the Deaf:**

Councillor Irene Williams to replace Councillor Louise Reecejones.



Interim Assistant Director: Law and Governance

## COUNCIL

Monday, 11 December 2017

Present: The Civic Mayor (Councillor Ann McLachlan) in the Chair  
Deputy Civic Mayor (Councillor Geoffrey Watt)

Councillors	RL Abbey	P Hackett	L Reecejones
	T Anderson	P Hayes	L Rennie
	B Berry	A Hodson	L Rowlands
	C Blakeley	K Hodson	T Smith
	A Brighthouse	AER Jones	C Spriggs
	P Brightmore	C Jones	J Stapleton
	D Burgess-Joyce	S Kelly	P Stuart
	C Carubia	B Kenny	M Sullivan
	P Cleary	A Leech	A Sykes
	W Clements	I Lewis	T Usher
	A Davies	M McLaughlin	J Walsh
	G Davies	J McManus	W Ward
	P Davies	C Meaden	S Whittingham
	P Doughty	B Mooney	J Williamson
	D Elderton	C Muspratt	I Williams
	G Ellis	T Norbury	KJ Williams
	S Foulkes	M Patrick	S Williams
	P Gilchrist	C Povall	G Wood
	JE Green	D Realey	

Apologies Councillors E Boulton T Jones  
WJ Davies D Mitchell  
J Hale T Pilgrim  
T Johnson

### 78 COUNCILLOR WALTER SMITH

The Civic Mayor referred to the recent passing of Councillor Walter Smith and the Council stood for a minute's silence in tribute to his memory.

### 79 DECLARATIONS OF INTEREST

Name	Item No. and Nature of Declaration
Councillor Steve Williams	Item No. 11(v) – Notice of Motion (Minute No. 105 refers). Personal and prejudicial – by virtue of his former profession in Merseyside Police.

Councillor  
Phil Davies

Item No. 8 D – Standards and Constitutional Oversight Committee - Minutes of 29 June, 2017 (Minute 90 refers).  
Personal – by virtue of him being a former Trustee of Callister Youth Club.

## 80 **CIVIC MAYOR'S ANNOUNCEMENTS**

The Civic Mayor noted that apologies had been received from Councillors Eddie Boulton, Bill Davies, John Hale, Treena Johnson, Tony Jones, Dave Mitchell and Tracey Pilgrim.

The Civic Mayor also informed that she would be hosting a small reception for Members of the Council, and invited Officers, at the conclusion of the evening's Council meeting.

## 81 **MINUTES**

The minutes of the meeting of the Council held on 16 October, 2017 had been circulated to Members.

Councillor Janette Williamson referred to minute 54, 'Leader's, Executive Members' and OSC Chairs' Reports' and the paragraph beginning:

'Councillor Wendy Clements asked a question of Councillor Janette Williamson...' and requested that it be amended to read:

'Councillor Wendy Clements commented on the Council Tax exemption for care leavers and asked a question of Councillor Janette Williamson - Cabinet Member for Finance and Income Generation on the part played by scrutiny workshops in budget setting.'

**Resolved – That the minutes be approved and adopted as a correct record, subject to the amendment above.**

## 82 **PETITIONS**

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

- (i). Councillor Chris Carubia on behalf of 45 residents objecting to access to Acre Lane development from Meadowside Road, Bromborough.
- (ii). Councillor Pat Cleary on behalf of 189 residents requesting effective traffic calming measures along the Oxtan stretch of Woodchurch Road.

- B. The following petition was referred to the Council in accordance with Standing Order 34 (1), having exceeded the threshold of 3000 signatures to trigger a Council debate, in accordance with the Petition Scheme –

A petition of some 3,297 signatures, submitted by Mr Shield of the Wirral Needs Campaign, asking the Council to oppose all privatisation and cuts to Wirral Council and NHS funding by the Tory Government.

Mr P Shield addressed the Council on behalf of the petitioners.

On conclusion of the debate, it was moved by Councillor Phil Davies and seconded by Councillor George Davies that –

“This Labour Council has consistently fought against attacks on public services by successive Tory governments since 2010. Council agrees that the return of a Labour government is essential to ensuring we have adequate and fair funding for local government, and in the meantime, Council supports the efforts of the current Labour Administration to ensure priority is given to protecting vulnerable people and communities and protecting front-line public services.

Council cannot and does not support the petition entitled ‘Wirral Needs’ on the grounds that the Plan it promotes for 2018/19 would push the authority into a position where it will be unable to set a legal and sustainable budget by failing to address the £61m funding gap. It would also be contrary to Labour Party policy.

Council reaffirms its support for delivering the 20 Pledges in the Wirral Plan and believes that we will achieve these goals through the policies and strategies developed and delivered with partner organisations across Wirral and the Liverpool City Region.”

An amendment was put by Councillor Ian Lewis, seconded by Councillor Lesley Rennie that –

“Council thanks the 3,297 people who have signed the petition organised by the Wirral Needs campaign and welcomes their contribution to the debate

Council calls upon the Leader to meet with the petition organisers to discuss the options proposed in more detail and hopes that the Wirral Labour Group will welcome the opportunity to meet with Socialist campaigners in the Borough.”

A second amendment was put by Councillor Phil Gilchrist, seconded by Councillor Stuart Kelly that:

“Council will prepare a legal budget within the resources known to be available and press the Government to provide additional resources for the needs of Children’s services and the vulnerable.”

Prior to the vote on the Conservative amendment, Councillor Blakeley and five Conservative Members rose to request a ‘card vote’.

A ‘card vote’ was then taken and the Council divided as follows:

For the amendment (19) Councillors T Anderson, B Berry, C Blakeley, D Burgess-Joyce, P Cleary, W Clements, D Elderton, G Ellis, J Green, P Hayes, A Hodson, K Hodson, I Lewis, C Povall, L Rennie, L Rowlands, A Sykes, G Watt and S Williams.

Against the amendment (38) Councillors R Abbey, A Brighouse, P Brightmore, C Carubia, A Davies, G Davies, P Davies, P Doughty, S Foulkes, P Gilchrist, P Hackett, AER Jones, C Jones, S Kelly, B Kenny, A Leech, M McLaughlin, J McManus, C Meaden, B Mooney, C Muspratt, T Norbury, M Patrick, D Realey, L Reecejones, PA Smith, C Spriggs, J Stapleton, P Stuart, M Sullivan, T Usher, J Walsh, W Ward, S Whittingham, I Williams, KJ Williams, J Williamson and G Wood.

One abstention – Councillor A McLachlan (Civic Mayor)

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

Prior to the Labour Motion being put to the vote, Councillor Blakeley and five Conservative Members rose to request a ‘card vote’.

A ‘card vote’ was then taken and the Council divided as follows:

For the motion (34) Councillors R Abbey, P Brightmore, A Davies, G Davies, P Davies, P Doughty, S Foulkes, P Hackett, AER Jones, C Jones, B Kenny, A Leech, M McLaughlin, J McManus, C Meaden, B Mooney, C Muspratt, T Norbury, M Patrick, D Realey, L Reecejones, PA Smith, C Spriggs, J Stapleton, P Stuart, M Sullivan, T Usher, J Walsh, W Ward, S Whittingham, I Williams, KJ Williams, J Williamson and G Wood.

Against the motion (23) Councillors T Anderson, B Berry, C Blakeley, A Brighouse, D Burgess-Joyce, C Carubia, P Cleary, W Clements, D Elderton, G Ellis, P Gilchrist, J Green, P Hayes, A Hodson, K Hodson, S Kelly, I Lewis, C Povall, L Rennie, L Rowlands, A Sykes, G Watt and S Williams.

One abstention – Councillor A McLachlan (Civic Mayor)



**Resolved (34:23) (One abstention) –**

**This Labour Council has consistently fought against attacks on public services by successive Tory governments since 2010. Council agrees that the return of a Labour government is essential to ensuring we have adequate and fair funding for local government, and in the meantime, Council supports the efforts of the current Labour Administration to ensure priority is given to protecting vulnerable people and communities and protecting front-line public services.**

**Council cannot and does not support the petition entitled ‘Wirral Needs’ on the grounds that the Plan it promotes for 2018/19 would push the authority into a position where it will be unable to set a legal and sustainable budget by failing to address the £61m funding gap. It would also be contrary to Labour Party policy.**

**Council reaffirms its support for delivering the 20 Pledges in the Wirral Plan and believes that we will achieve these goals through the policies and strategies developed and delivered with partner organisations across Wirral and the Liverpool City Region.**

**83 PUBLIC QUESTIONS**

Mr J Brace, having given the appropriate notice in accordance with Standing Order 11, asked a question on the subject of the Council’s policy on the filming of public meetings and webcasting.

Councillor Moira McLaughlin, Chair of the Standards and Constitutional Oversight Committee, responded accordingly.

Mr S Jiang, having given the appropriate notice in accordance with Standing Order 11, asked a question on street lighting repairs.

Councillor Stuart Whittingham, Cabinet Member for Highways and Transport, responded accordingly.

**84 LEADER’S, EXECUTIVE MEMBERS’ AND CHAIRS REPORTS**

The Mayor introduced the summary reports from the Leader, Cabinet Members and Policy and Performance Committee Chairs and asked for questions on any of the reports.

Councillor Phil Gilchrist asked a question of the Leader, Councillor Phil Davies.

Councillor Phil Davies stated in response:

- Current focus and efforts to develop the Wirral Growth Company had come about as a result of a further £132 million of cuts being forced on the Council as a result of the loss of the revenue support grant from central government. The proposed scheme would generate income for the Council that could be re-invested in the community. Such decisions were vital to the future of the Council, particularly given the pressures faced in key areas such as children's social care.

Councillor Phil Gilchrist asked a question of the Cabinet Member - Housing and Community Safety, Councillor George Davies.

Councillor George Davies stated in response:

- Housing Adaptation Grants continued, with on average 2500 grants being awarded each year. During 2016/17 in the region of 3000 grants had been accessed which had led to the council's performance target for the current year being raised from 2000 to 2500. There were currently no outstanding requests and a review of the service had been undertaken. A Cabinet Member decision was due shortly which would speed up and streamline the service and use of the discretionary budget.

Councillor Pat Cleary asked a question of the Cabinet Member - Highways and Transport, Councillor Stuart Whittingham.

Councillor Stuart Whittingham stated in response:

- Improvements to the North Bank scheme had considered objections from the Merseyside Cycle campaign.

Councillor Chris Blakeley asked questions of the Leader, the Cabinet Member - Transformation, Councillor Angela Davies, the Cabinet Member – Localism and Engagement, Councillor Matthew Patrick and the Cabinet Member – Finance and Income Generation, Councillor Janette Williamson.

In response comments included:

Councillor Phil Davies

- Questions on the subject of Strategic Asset Acquisitions, including the Europa Building in Birkenhead, and advice given would be best directed to the Assistant Director: Law and Governance.

Councillor Angela Davies

- A number of developers were expressing an interest in engaging with the Council as part of the Wirral Growth Company. Due diligence and competitive dialogue was still underway, and the outcome of a preferred deal was expected in 2018.

Councillor Matthew Patrick

- He was happy to report that he had involvement with the budget engagement plans, and asked if Councillor Janette Williamson could take this opportunity to elaborate further in response to the questioner.

Councillor Janette Williamson

- The information requested was actually contained in the report, and residents could provide their views through the budget consultation process that would include workshops and public engagement. The invitation to all elected members – regardless of party – to support the process still stood.

Councillor Brian Kenny asked a question of the Cabinet Member - Highways and Transport.

Councillor Stuart Whittingham stated in response:

- Taking over direct responsibility for key areas of the maintenance of street lighting, carriageway, footpaths, drainage and pot hole repairs would provide better use of the Council's resources and maximise the 'Wirral Pound'.

Councillor David Burgess-Joyce asked questions of the Leader, the Cabinet Member – Delivering Differently, Councillor Chris Spriggs and the Cabinet Member – Finance and Income Generation.

In response comments included:

Councillor Phil Davies

- As with all Committees of Council, Cabinet Members declare all personal and/or prejudicial interests at the start of all Cabinet meetings.

Councillor Chris Spriggs

- The allotted time for questions expired and a written response would be provided on the all age disability and mental health service.

Councillor Janette Williamson

- The question did not relate to information contained in her report - however she was happy to respond with a written response on interest rates. The Hoylake Golf Resort project was generally regarded as an opportunity to provide jobs locally and also generate income for the Council.

Councillor Gerry Ellis asked a question of the Leader.

Councillor Phil Davies stated in response:

- On the subject of the plans for Hoylake Golf Resort the proposals were still at the stage where the project potential was being explored. A variety of studies were required e.g. flood, traffic, environmental impact etc which would be undertaken, at no expense to the Council. Consultation would go on throughout 2018 as a precursor to any planning application. It would be folly to completely block off any potential opportunity to generate significant income and jobs for the area. There needed to be a balanced picture about what local people and businesses thought.

Councillor Les Rowlands asked questions of the Leader, the Cabinet Member – Delivering Differently and the Cabinet Member – Finance and Income Generation.

In response comments included:

Councillor Phil Davies

- The structure of the Wirral Growth Company differed greatly from the London Borough of Haringey, where their model was housing based – replacing existing stock. The Wirral Growth Company would provide additional housing and include industrial and retail elements in the overall package. More details would be available in the New Year.

Councillor Chris Spriggs

- The allotted time expired and a written response would be provided on when the Price Waterhouse Cooper report on integration of health care service would be published.

Councillor Janette Williamson

- The budgets mentioned were currently underspent, but this was not unusual at this point in the year, both the coastal project and matters regarding potholes on the highway will be the subject of written reports in the future.

Councillor Cherry Povall asked a question of the Cabinet Member - Highways and Transport.

Councillor Stuart Whittingham stated in response:

- Grit bins could be provided by Constituency Committees if Members were able to identify funding they could contact him about specific locations.

Councillor Kathy Hodson asked questions of the Leader, the Cabinet Member – Transformation, the Cabinet Member – Highways and Transport and the Chair of the Adult Care and Health Overview and Scrutiny Committee, Councillor Julie McManus.

In response comments included:

Councillor Phil Davies

- He was aware of the lost income for the municipal golf courses, but did not have specific detail of the figures at hand. A written response to the question would be provided.

Councillor Angela Davies

- With regard to the total cost of the BWB shared intelligence report a written response would be provided. No third report was to be commissioned.

Councillor Janette Williamson

- The question did not relate to information contained in her report - however she was happy to provide a written response on council borrowing from Barclays Bank.

Councillor Julie McManus

- The allotted time for questions expired and a written response would be provided on the publication of PWC report on the Integrated Commissioning Hub.

Councillor Adam Sykes asked a question of the Cabinet Member for Finance and Income Generation.

In response Councillor Janette Williamson stated that it was not her role to meet with the Trades Unions as this was more of a leadership role.

The Civic Mayor informed Council that the allotted time for this item had now been reached, Cabinet Members and Overview and Scrutiny Chairs would ensure that written responses be provided by e-mail in respect of all unanswered questions.

## 85 **MEMBERS' QUESTIONS**

In accordance with Standing Order 10(2) the Council had been advised of three questions.

Councillor Stuart Kelly asked a question of the Cabinet Member for Environment, Councillor Phill Brightmore, concerning flooding incidents in Oxtou, Claughton and Pensby on 23 July, 2017. Councillor Phill Brightmore responded accordingly.

Councillor Phil Gilchrist asked a question of the Leader of the Council, concerning the Liverpool City Region Combined Authority allocation of £272,000 from the pothole action fund. Councillor Phil Davies replied accordingly.

Councillor David Burgess-Joyce asked a question of the Leader of the Council in relation to licences for specialist transport providers. Councillor Phil Davies responded accordingly.

## 86 **MATTERS REFERRED FROM OVERVIEW AND SCRUTINY COMMITTEES OR OTHER COUNCIL COMMITTEES**

In accordance with Standing Order 7(5), three matters had been referred to the Council by Overview and Scrutiny Committees. Two matters had been referred by the Standards and Constitutional Oversight Committee. (See minutes 87 to 90 post).

87 **COMMITTEE REFERRAL - TOUGHER ACTION ON FLY-TIPPING**

At the meeting of the Council held on 16 October, 2017 (minute 68 refers) the Civic Mayor had referred a Notice of Motion 'Tougher Action of Fly-Tipping' to the Environment Overview and Scrutiny Committee. The motion was duly considered at the meeting of the Committee on 30 November, 2017 (minute 30 refers).

In accordance with Standing Order 7 (5) the Council was invited to consider the recommendation of the Committee which had resolved that –

- (1) the Notice of Motion be noted, and;
- (2) the Strategic Commissioner – Environment provide a more detailed report to a future meeting of the Committee.

On a motion by Councillor Paul Stuart, seconded by Councillor Steve Foulkes it was:

**Resolved (57:0) (One abstention) – That the resolution of the Environment Overview and Scrutiny Committee be agreed.**

88 **COMMITTEE REFERRAL - MAKING MORE TIME FOR PEDESTRIANS**

At the meeting of the Council held on 16 October, 2017 (minute 68 refers) the Mayor had referred a Notice of Motion 'Making More Time for Pedestrians' to the Business Overview and Scrutiny Committee. The motion was duly considered at the meeting of the Committee on 29 November, 2017 (minute 35 refers).

In accordance with Standing Order 7 (5) the Council was invited to consider the recommendation of the Committee which had resolved that –

The motion be noted and referred to officers in Highways for a more detailed report to be provided on the issue.

On a motion by Councillor Mike Sullivan, seconded by Councillor Phil Davies it was:

**Resolved (57:0) (One abstention) – That the resolution of the Business Overview and Scrutiny Committee be agreed.**

89 **COMMITTEE REFERRAL - WIRRAL WELL-MADE NEED FOR INFRASTRUCTURE SUPPORT**

At the meeting of the Council held on 16 October, 2017 (minute 68 refers) the Civic Mayor had referred a Notice of Motion 'Wirral Well-Made Need for

Infrastructure Support' to the Business Overview and Scrutiny Committee. The motion was duly considered at the meeting of the Committee on 29 November, 2017 (minute 32 refers).

In accordance with Standing Order 7 (5) the Council was invited to consider the recommendation of the Committee which had resolved that –

The motion be referred to Merseytravel and officers in Forward Planning for a report to be brought back to this Committee.

On a motion by Councillor Mike Sullivan, seconded by Councillor George Davies it was:

**Resolved (57:0) (One abstention) – That the resolution of the Business Overview and Scrutiny Committee be agreed.**

90 **MINUTES OF THE MEETINGS OF STANDARDS AND CONSTITUTIONAL OVERSIGHT COMMITTEES - 29 JUNE AND 31 OCTOBER 2017**

The minutes of the Standards and Constitutional Oversight Committee from the 29 June and 31 October, 2017 were submitted and the Council were asked, in respect of minute 10 (29 June, 2017) to:

- (1) agree the transfer of Council's trusteeship of the Callister Youth Club to new Trustees, to avoid a continuation of its conflict of interest over 19 Argyle Street (Birkenhead);
- (2) reaffirm Council's decisions to pay into the bank account of the Trust an annual sum equal to the market rent for 19 Argyle Street (currently estimated to be £14,000);
- (3) note the valuation obtained for the Trust's premises in Slatey Road, Birkenhead but defers any decision on its future disposal or use pending the appointment of new Trustees;
- (4) defer any decision on a change to the objects of the Trust pending the appointment of new Trustees.

With regard to minute 21(2) of 31 October, 2017, Councillor Moira McLaughlin, Chair of the Standards and Constitutional Oversight Committee, read out a statement as follows:

"Councillors, this is an unusual action that I am taking tonight, but I am doing it as Chair of the Council's Standards and Constitutional Oversight Committee at the request of the committee members, and in response to an extraordinary demonstration of disrespect to both members of the public and to the authority

of the Council by an elected member of this Council, Councillor Louise Reecejones.

In June of this year Councillor Reecejones was the subject of a Standards hearing when she was found to have used her position as Councillor to damage the reputation and lives of members of the public, and in doing so had shown disrespect to them and was in breach of the Members' Code of conduct.

One of the sanctions imposed was that she be required to make a full written apology to those people she had harmed.

In October, the Standards and Constitutional Oversight Committee heard that she had failed to comply with any part of the sanctions imposed, that she had been found to have continued the activity which led to the findings of a breach and she had failed to cooperate in an open way with the Council commissioned investigation, and therefore she had further breached the Members' Code of Conduct.

She was given a further 14 days to make the apology, and I understand she has not done that. She was also required to come to Full Council to repeat it to her fellow elected Members.

This was an indication of the anger and frustration felt by Committee Members at her actions but also at our lack of ability to impose meaningful sanctions, as a Council, when the behaviour of an elected Member falls so far below that expected by the people who elected us to uphold the Nolan Principals of honesty, integrity, selflessness and leadership.

This is an opportunity now for Councillor Reecejones to make some amends for her behaviour so far, and demonstrate the respect for this council that she has so far failed to do and I hope she will take it."

It was then –

**Resolved (56:1) (One abstention) – That the minutes of the Standards and Constitutional Oversight Committee of 29 June, 2017, be agreed.**

Councillor Reecejones then addressed the Council as follows:

"Following legal advice I shall not be making any further comment on the matter as it's the subject of legal action against Wirral Council and its Councillors. I shall also be making a formal complaint to the Solicitors' Regulation Authority with regard to the conduct of the current Interim Assistant Director: Law and Governance, the former Assistant Director: Law and Governance and the legal staff working under their direction."



In response to Councillor Ian Lewis, Vicki Shaw, the Council's Acting Senior Manager Legal and Committee Services, stated that no further sanctions were available to the Council, she was not aware of any legal action against the Council and Council officers would be indemnified against any action through the Council's insurance policies.

The Leader of the Council confirmed that Councillor Reece Jones had been removed from all Committees and outside bodies.

## 91 **VACANCIES**

In accordance with Standing Order 25(6) the Council was requested to deal with the following matters in respect of the membership of committees and appointments to outside organisations.

The Civic Mayor referred to the recent sad passing of Councillor Walter Smith and as a result, the following vacancies had arisen which would require consideration. She paid tribute to Councillor Walter Smith for all the work he had undertaken for the Authority and expressed how much the Council would miss him.

At the request of the Leader and at the invitation of the Civic Mayor, Councillor Christina Muspratt then addressed the Council and paid a warm and fulsome tribute to her dear friend Councillor Walter Smith, who had always treated all people fairly and decently.

Councillors Phil Davies and Ian Lewis also added their tributes.

## **COMMITTEES**

### **Children and Families Overview and Scrutiny Committee**

Councillor Jerry Williams replacing former Councillor Walter Smith and Councillor Christina Muspratt replacing Councillor Jerry Williams as deputy.

## **STATUTORY AND ADVISORY COMMITTEES, WORKING PARTIES AND PANELS**

### **Education Staff Panel**

Councillor Chris Meaden replacing former Councillor Walter Smith and Councillor Julie McManus replacing Councillor Chris Meaden as deputy.

### **Standing Advisory Committee on Religious Education**

Councillor Brian Kenny replacing former Councillor Walter Smith and Councillor Tony Jones replacing Councillor Brian Kenny as deputy.

### **Young People's Advisory Group**

Councillor Warren Ward replacing former Councillor Walter Smith.

## **Members' Development Steering Group**

Councillor Brian Kenny replacing former Councillor Walter Smith.

Further appointments were requested as follows:

- **OUTSIDE BODIES**

- **Leasowe Community Homes (Prima LCH)**

- Councillor Adrian Jones be nominated for consideration by Prima LCH as a Director

- The Standards and Constitutional Oversight Committee, at its meeting on 20 November, 2017 (minute 25 refers), considered a report on the appointment of four independent persons to sit on its Committee and the Council was recommended to approve the appointment of:

Mr G Kerr, Mr J R McCosh, Ms Angela Lloyd Prince and Mr A Wilson.

**Resolved – That all the above appointments and nominations be approved.**

## 92 **MATTERS REQUIRING APPROVAL OR CONSIDERATION BY THE COUNCIL**

In accordance with Standing Order 5(2) six matters had been submitted for approval or consideration by the Council (see minutes 93 to 98 post).

## 93 **REVENUE MONITORING 2017/18 - QUARTER 2**

The first matter requiring consideration was in relation to funding of £350,000 from General Fund Balances in respect of the implementation of the General Data Protection Regulation (GDPR) in May 2018, as recommended by the Cabinet at its meeting on 6 November, 2017 (minute 52 refers).

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

**Resolved (55:0) (One abstention) – That the recommendation contained within minute 52 of Cabinet, be approved.**

## 94 **CAPITAL MONITORING 2017/18 - QUARTER 2**

The second matter requiring approval was in relation to the inclusion in the capital programme of 5 new bids, at an additional capital cost of £2.6 million, and a revised Capital Programme of £67.5 million as recommended by Cabinet at its meeting on 6 November, 2017 (minute 53 refers).

Councillor Phil Davies introduced the motion, seconded by Councillor George Davies.

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

**Amendment**

**Proposed** by Councillor Stuart Kelly

**Seconded** by Councillor Alan Brighthouse

*Add to Recommendations (p101)...*

“Council notes that the 2017/18 capital programme was considered by Cabinet on 20 February 2017 and that the Report (Capital Programme and Financing 2017/20) at paragraph 3.7 stated:

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

The Capital Programme, therefore, did not include the submissions listed in Appendix 2 of that Report namely:

New Capital Bids 2017-20 relating to the leisure and cultural review

Europa Pools refurbishment	Income generation	2,500
Arrowe Park golf improvements	Income generation	650
Tennis Centre refurbishment	Income generation	1,340
Williamson Art Gallery refresh and repair	Maintain Accredited Museum Status, small income increase	350
Beechwood Leisure Centre remedial works	Upgrade to ensure sustainability	500
Bebington Central Library refurbishment and repair	Improvements to the building fabric	1,219
Birkenhead Central Library redevelopment and refurbishment	Improvements to the building fabric	467
Wallasey Central Library redevelopment and refurbishment	Improvements to the building fabric	196

The full report can be viewed at...

<http://democracy.wirral.gov.uk/documents/s50039181/CAPITAL%20PROGRA MME%202017-20%20Final.pdf>

Council considers that the future Capital Programme review at Quarter 3 should reconsider the bids for other Leisure and Cultural Services schemes submitted but be placed on hold should slippage and re-profiling free up available capital resources.

Council is particularly concerned to ensure an early decision with regard to the items submitted by the Williamson Art Gallery and Museum linked to maintaining its Accredited Museum Status.”

The amendment was put and lost (22:33) (One abstention).

The motion was put and carried (33:22) (One abstention).

**Resolved (33:22) (One abstention) – That the recommendation contained within minute 53 of Cabinet, be approved.**

95 **TREASURY MANAGEMENT MID-YEAR REPORT 2017/18**

The third matter requiring approval was in relation to the revision to the Council’s Minimum Revenue Provision (MRP) Policy in selecting the annuity method within ‘Option 3 Asset Life’ for calculating the MRP as recommended by the Cabinet at its meeting on 6 November, 2017 (minute 54 refers).

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

**Resolved (55:0) (One abstention) – That the recommendation contained within minute 54 of Cabinet, be approved.**

96 **STATUTORY REGISTER OF BROWNFIELD LAND**

The fourth matter requiring approval was in relation to amendments to the delegated powers for Planning Committee and the Assistant Director of Environmental Services in the Council’s Constitution to reflect the new requirements set out in recommendations 1, 3 and 4 of the Cabinet Member decision.

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

**Resolved (55:0) (One abstention) – That the recommendation to make the necessary amendments to the delegated powers for Planning Committee and the Assistant Director of Environmental Services in the**

**Council's Constitution to reflect the new requirements set out in recommendations 1, 3 and 4 of the report, be approved.**

97 **PLAYING PITCH STRATEGY**

The fifth matter requiring approval was in relation to the adoption of the Assessment Report and Strategy and Action Plan as a material consideration in the determination of planning applications and in other decisions under the Town and Country Planning Acts as set out in the recommendation of the Cabinet Member decision.

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

**Resolved (55:0) (One abstention) – That the Assessment Report and the accompanying Strategy and Action Plan be adopted as a material consideration in the determination of planning applications and in other decisions under the Town and Country Planning Acts.**

98 **STATUTORY OFFICER APPOINTMENT**

The sixth matter requiring approval was in relation to the appointment of the Council's Statutory Section 151 Officer.

**Resolved (55:0) (One abstention) – That Shaer Halewood, Director of Finance and Investment, be appointed as the Council's Statutory Section 151 Officer.**

99 **PROCEDURAL MOTION**

It was moved by Councillor Ron Abbey, seconded by Councillor Phil Davies and –

**Resolved – That Standing Order 9(1) be suspended and motions (i), (ii), (iii) and (iv) be debated with the guillotine coming into effect after that.**

100 **NOTICES OF MOTION**

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

(i). National Budget  
To be debated.

(ii). Preparing Communities for the Impact of New Development

To be debated.

- (iii). Reducing Single-Use Plastic (SUP) in Wirral Council  
To be debated.
- (iv). Domestic Violence  
To be debated.
- (v). Orgreave Truth and Justice Campaign  
To be debated.
- (vi). The United Kingdom's Household Debt Ticking Time-Bomb  
To be debated.
- (vii). Economic Viability Assessments from Developers  
To be referred to the Environment Overview and Scrutiny Committee.
- (viii). Planning Ahead to Use the Community Infrastructure Levy  
To be referred to the Environment Overview and Scrutiny Committee.

**Resolved – That the Notices of Motion, ‘Economic Viability Assessments from Developers’ and ‘Planning Ahead to Use the Community Infrastructure Levy’, be referred to the Environment Overview and Scrutiny Committee.**

#### 101 **MOTION - NATIONAL BUDGET**

**Proposed** by Councillor Phil Davies

**Seconded** by Councillor Bernie Mooney

“At the hands of this Tory Government, and the Coalition before, the people of Wirral have endured the longest period of falling incomes since records began. People are poorer under the Conservatives – and they feel poorer.

Chancellor Philip Hammond had the opportunity to deliver a budget offering real hope and change – and he bungled it.

This budget offered little for families in Wirral. The Chancellor offered little in the way of help to the least well-off: he failed to provide any vision for how, in the face of Brexit, we can hope to kick-start our economy out of its current doldrums. The Chancellor even denied unemployment exists, so little surprise the Tories have no message for those looking to return to work or further their careers.

For local government the story was the same. Less money available while demand rises. Our communities who need our help most are being failed by the Tories as a direct consequence of their broken austerity experiment.

One of the few measures directed at alleviating the financial stresses faced by councils up and down this country was the ability to charge an extra 100% council tax on properties which have been empty for more than two years.

While this may be impactful in central London where absentee overseas landlords sit on thousands of empty properties – this is of little consequence in Wirral. To put this in perspective – while Wirral has been forced to slash £200million from our budgets since 2010, this measure is understood to raise just £12,000 - unlikely to make much of an impact.

Mr Hammond tinkered with the economy when it needs turbo-charging. As his cabinet colleagues currently dither in their half-hearted negotiations on Britain's withdrawal from the EU the chancellor too has shirked his responsibilities. If ever we needed a grand plan and strong leadership that moment is now but instead we have a man whose best idea is to introduce a new rail card for those people who need a home.

Once again it is clear. Only Labour can be trusted to act in the best interests of the people of Wirral.

Council agrees to write to Wirral's 4 MPs and ask them to arrange a meeting with the Chancellor of the Exchequer asking him to look again at the issues facing local authorities up and down the country, including Wirral, and to take immediate action to avert the national crisis in children's social care by providing adequate funding and make serious and real interventions to protect the collapsing housing markets with real assistance which will help Wirral residents find suitable housing."

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

**Proposed** by Councillor Phil Gilchrist  
**Seconded** by Councillor Alan Brighthouse

*"Delete 'and the Coalition before' from paragraph 1.*

*Insert at the end of paragraph 1...*

'The resignations from the Board of the Social Mobility Commission, including those of the former Labour Health Secretary, Alan Milburn, along with the former Conservative Education Secretary, Baroness Gillian Shephard, illustrate a growing lack of confidence in the Government's willingness or capacity to address social problems.

It should be recognised that the Liberal Democrats, during the Coalition period, secured progress on raising the Income Tax personal allowance, delivered the 'triple lock' on the State Pension, saw the introduction of the Pupil Premium and extended the coverage of free school meals.'

*Delete paragraph 8 (beginning 'Once again it is clear...')*

*Insert new paragraphs 8 & 9...*

'Council notes and endorses the criticisms of the Autumn Budget of November 2017 as set out by the Local Government Association, especially their comment that...

*'It is hugely disappointing that the Budget offered nothing to ease the financial crisis facing local services. Funding gaps and rising demand for our adult social care and children's services are threatening the vital services which care for our elderly and disabled, protect children and support families. This is also having a huge knock-on effect on other services our communities rely on.'*

Council earnestly hopes that the forthcoming Local Government 'settlement' will correct this situation but fears that the chaos and uncertainty surrounding Brexit risks undermining the economy and its ability to fund services."

Following a debate and Councillor Phil Davies having replied, the amendment was put and lost (4:51) (One abstention).

The motion was put and carried (33:22) (One abstention).

**Resolved (33:22) (One abstention)**

**At the hands of this Tory Government, and the Coalition before, the people of Wirral have endured the longest period of falling incomes since records began. People are poorer under the Conservatives – and they feel poorer.**

**Chancellor Philip Hammond had the opportunity to deliver a budget offering real hope and change – and he bungled it.**

**This budget offered little for families in Wirral. The Chancellor offered little in the way of help to the least well-off: he failed to provide any vision for how, in the face of Brexit, we can hope to kick-start our economy out of its current doldrums. The Chancellor even denied unemployment exists, so little surprise the Tories have no message for those looking to return to work or further their careers.**

**For local government the story was the same. Less money available while demand rises. Our communities who need our help most are being**



failed by the Tories as a direct consequence of their broken austerity experiment.

One of the few measures directed at alleviating the financial stresses faced by councils up and down this country was the ability to charge an extra 100% council tax on properties which have been empty for more than two years.

While this may be impactful in central London where absentee overseas landlords sit on thousands of empty properties – this is of little consequence in Wirral. To put this in perspective – while Wirral has been forced to slash £200million from our budgets since 2010, this measure is understood to raise just £12,000 - unlikely to make much of an impact.

Mr Hammond tinkered with the economy when it needs turbo-charging. As his cabinet colleagues currently dither in their half-hearted negotiations on Britain's withdrawal from the EU the chancellor too has shirked his responsibilities. If ever we needed a grand plan and strong leadership that moment is now but instead we have a man whose best idea is to introduce a new rail card for those people who need a home.

Once again it is clear. Only Labour can be trusted to act in the best interests of the people of Wirral.

Council agrees to write to Wirral's 4 MPs and ask them to arrange a meeting with the Chancellor of the Exchequer asking him to look again at the issues facing local authorities up and down the country, including Wirral, and to take immediate action to avert the national crisis in children's social care by providing adequate funding and make serious and real interventions to protect the collapsing housing markets with real assistance which will help Wirral residents find suitable housing.

102 **MOTION - PREPARING COMMUNITIES FOR THE IMPACT OF NEW DEVELOPMENT**

**Proposed** by Councillor Phil Gilchrist

**Seconded** by Councillor Alan Brighthouse

Council recognises that, at its meeting on 14 December 2015, Council had before it a Notice of Motion entitled 'Investing in our Communities'. This referred to the use of the Capital Receipt expected from the sale of Acre Lane as 'one of the most substantial receipts received since the Borough was created.'

The Notice of Motion referred to the limited resources available to the Constituency Committees.

It suggested that...

*'Cabinet should consider allocating £1m from this asset sale into each Constituency Committee; in line with the 2020 vision and in the spirit of devolution to Constituency Committees, they should be enabled to determine the use of these funds.'*

Council referred the Notice of Motion to the Cabinet of 22 February 2016. Cabinet decided that the Notice of Motion should be considered as part of the review of Neighbourhood Working and the future of the Council's Constituency Committees.

It is clear that limited progress has been made with this 'review' apart from a series of consultative sessions. It is also apparent that the Capital Programme considered by Cabinet (6 Nov 2017, item 10) expects that the Capital Receipt is being utilised:

<http://s03vs-intrcm.core.wcent.wirral.gov.uk/documents/s50045804/Capital%20Monitoring%20Q2%202017-18%20Report.pdf>

Council believes that Cabinet should consider and set out how Wirral can deal with the pressures on local services, including school accommodation and health and social facilities should the Acre Lane development proceed. Such considerations can also apply to other major developments and set out how Section 106 and, in future, Community Infrastructure Levies, may be secured and applied.

Consideration has yet, apparently, still to be given to allocating capital and revenue to Constituency Committees so that they can fulfil their role effectively.

Council also requests that Cabinet should consider spending part of the capital receipt on the physical infrastructure of the wider Bromborough and Eastham community. That consideration should include identifying narrow estate roads where there are limited parking facilities and where grass verges are damaged.

Following a debate and Councillor Phil Gilchrist having replied, the motion was put and lost (21:34) (One abstention).

#### 103 **MOTION - REDUCING SINGLE USE PLASTIC IN WIRRAL**

**Proposed** by Councillor Pat Cleary

**Seconded** by Councillor Adam Sykes

Council notes that, in the UK, some 2.2 million tonnes of plastic packaging is consumed annually. Only 40% of this is recycled domestically<sup>1</sup>. According to

recent research, eight million tons of plastic waste ends up in the world's oceans each year, endangering marine life and entering the food chain<sup>2</sup>. In addition, there is a growing understanding of the risks posed to human health by toxic chemicals present in plastics.

Council also notes that following the introduction of the 5p bag charge in England in 2015, the use of single-use plastic bags dropped by 83% in the first six months.

Council believes that the reduction of single-use plastic would benefit health in Wirral and reduce waste. Council therefore requests the Cabinet to:

1. Develop a robust strategy to ensure Wirral Council phases out single-use plastics (SUP) in its activities within the next two years.
2. Work with partners and other large institutions e.g. the NHS to encourage them in developing similar strategies to reduce SUP.
3. Inform the public of Wirral of the reasons for phasing out SUP and encourage them to switch to alternatives.

#### *Sources*

1. *Wrap. Plastics Market Situation Report, Spring 2016, p9*
2. *Science. Plastic Waste Inputs from Land into the Oceans. Feb 13, 2015.*

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

**Proposed** by Councillor Phill Brightmore  
**Seconded** by Councillor Paul Stuart

*Add the following:*

Council also agrees to:

1. Incorporate the reduction of SUP use into Wirral Council's Waste Minimisation Strategy (regarding entire Borough, not just WBC).
2. Refer all of the recommendations in this motion to Environment Overview and Scrutiny Committee with a view to advising Cabinet how they can most effectively be delivered.
3. Ask the Cabinet Member for Environment to write to the Conservative Minister for Environment, requesting that the reduction of SUP form part of any future national Waste Management Strategy.

Following a debate and Councillor Pat Cleary having waived his right of reply, the amendment was put and carried (55:0) (One abstention).

The substantive motion, as amended was then put and carried (55:0) (One abstention).

**Resolved (55:0) (One abstention) -**

**Council notes that, in the UK, some 2.2 million tonnes of plastic packaging is consumed annually. Only 40% of this is recycled domestically. According to recent research, eight million tons of plastic waste ends up in the world's oceans each year, endangering marine life and entering the food chain. In addition, there is a growing understanding of the risks posed to human health by toxic chemicals present in plastics.**

**Council also notes that following the introduction of the 5p bag charge in England in 2015, the use of single-use plastic bags dropped by 83% in the first six months.**

**Council believes that the reduction of single-use plastic would benefit health in Wirral and reduce waste. Council therefore requests the Cabinet to:**

- 1. Develop a robust strategy to ensure Wirral Council phases out single-use plastics (SUP) in its activities within the next two years.**
- 2. Work with partners and other large institutions e.g. the NHS to encourage them in developing similar strategies to reduce SUP.**
- 3. Inform the public of Wirral of the reasons for phasing out SUP and encourage them to switch to alternatives.**

**Council also agrees to:**

- 4. Incorporate the reduction of SUP use into Wirral Council's Waste Minimisation Strategy (regarding entire Borough, not just WBC).**
- 5. Refer all of the recommendations in this motion to Environment Overview and Scrutiny Committee with a view to advising Cabinet how they can most effectively be delivered.**
- 6. Ask the Cabinet Member for Environment to write to the Conservative Minister for Environment, requesting that the reduction of SUP form part of any future national Waste Management Strategy.**

104 **MOTION - DOMESTIC VIOLENCE**

**Proposed** by Councillor Anita Leech  
**Seconded** by Councillor Janette Williamson

“This meeting takes place as the White Ribbon campaign’s 16 Days of Activism against gender-based violence comes to a close. (December 10th).

The 16 Days campaign has taken place against a background of increased reporting of high profile cases of abuse directed against women, stretching from Hollywood to Westminster, but we must not forget the overwhelming majority of abuse takes place in a domestic environment, often against mothers and their children – and yet we see the Government again targeting the most vulnerable with its failed austerity measures.

According to the Office for National Statistics (ONS) the majority of victims of domestic homicides recorded between April 2013 and March 2016 were females (70%).

The ONS also said that the police recorded 1.1 million domestic abuse-related incidents and crimes in the year ending March 2017, while the majority of victims of 454 domestic homicides recorded between April 2013 and March 2016 were females (70%).

However, according to the latest reports many victims of domestic abuse do not see justice.

Now we have a Government which is trying to sneak out measures which will put even more women’s lives at risk. It is being reported that the Tory Government is planning to remove refuges and other forms of short-term supported housing from the welfare system. At a point in their lives, when they fear for their safety – and often that of their children – many women will now face even more pressure because the Government is withdrawing key support for them.

According to the reports the Government instead plans to hand money to local councils – but as we have seen before local government is expected to make this cash go further than the Government could manage. According to recent media reports *“the government proposes handing a “ring-fenced” grant to councils for short-term supported housing. However, this does not exclusively cover refuges – it is also aimed at older people, homeless people, offenders, people with mental illnesses and drug addicts”*.

Council recognises local authorities such as Wirral have demonstrated their ability to show great prudence and planning in making ever decreasing funding go much further, but believes it is unacceptable for the Government to

place further pressures on local government, placing more women at risk because they are failing to balance their own budget.

Council agrees to write to the Home Secretary to ask her to drop these proposals and take the safety of women in situations of domestic abuse more seriously by providing adequate funding for key issues such as women's refugees and on-going support for women fleeing domestic violence."

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

**Proposed** by Councillor David Burgess-Joyce  
**Seconded** by Councillor Bruce Berry

*"Paragraph 2: Delete ' – and yet..... measures.'*

*Delete paragraphs 6, 7, 8, 9 and insert:*

Domestic violence is a blight on our society and many victims suffer in silence for many years only to have their plight known to authorities when a tragedy occurs. This blight applies to both women and men alike.

The cross-government definition of domestic violence and abuse is now:

any incident or pattern of incidents of controlling, coercive, threatening behaviour, violence or abuse between those aged 16 or over who are, or have been, intimate partners or family members regardless of gender or sexuality. The abuse can encompass, but is not limited to:

- psychological
- physical
- sexual
- financial
- emotional

This significantly expands the types of reportable abuse and gives the police and courts wider opportunities to successfully control and prosecute offenders.

Wirral Council successfully bid for additional government funding for 2016. This funding boost was in addition to the original offer of additional funding of £40 million over a 4 years period to support victims of domestic violence, announced as part of its Spending Review. The funding was to help local authorities develop a number of different, innovative services.

As well as the additional funding, domestic abuse is a major priority for the government's Troubled Families programme. The focus on tackling domestic violence and abuse was increased in the new expanded programme.

The Conservative government announced a new £10 million government fund to help support refuges across the country and boost provision for vulnerable victims of domestic violence.

This built on steps taken by the government to end domestic violence, support victims and ensure offenders are prosecuted. These include:

- £40 million for Violence Against Women and Girls support services and specialist helplines
- new laws and powers - including a new domestic abuse offence to capture coercive and controlling behaviour, the criminalisation of forced marriage, and the introduction of new stalking laws
- the national roll-out of domestic violence protection orders and the domestic violence disclosure scheme

It is clear the government has made significant strides in trying to tackle an historically difficult offence to prosecute whilst encompassing some new family and cultural issues which needed addressing.

Council believes it is incumbent on the Leader to work with officers to research and develop new and innovative local strategies to support victims of domestic abuse and violence that are more than just temporary measures.

Council agrees to write to the Home Secretary once the Leader of the Council, his Cabinet and Officers have launched these local strategies to advise her of the outcomes for Wirral families that are the victims of domestic violence.”

Following a debate and Councillor Anita Leech having replied the amendment was put and lost (16:38) (One abstention).

The motion was put and carried (38:16) (One abstention).

**Resolved (38:16) (One abstention) –**

**This meeting takes place as the White Ribbon campaign's 16 Days of Activism against gender-based violence comes to a close. (December 10th).**

**The 16 Days campaign has taken place against a background of increased reporting of high profile cases of abuse directed against women, stretching from Hollywood to Westminster, but we must not forget the overwhelming majority of abuse takes place in a domestic**

environment, often against mothers and their children – and yet we see the Government again targeting the most vulnerable with its failed austerity measures.

According to the Office for National Statistics (ONS) the majority of victims of domestic homicides recorded between April 2013 and March 2016 were females (70%).

The ONS also said that the police recorded 1.1 million domestic abuse-related incidents and crimes in the year ending March 2017, while the majority of victims of 454 domestic homicides recorded between April 2013 and March 2016 were females (70%).

However, according to the latest reports many victims of domestic abuse do not see justice.

Now we have a Government which is trying to sneak out measures which will put even more women's lives at risk. It is being reported that the Tory Government is planning to remove refuges and other forms of short-term supported housing from the welfare system. At a point in their lives, when they fear for their safety – and often that of their children – many women will now face even more pressure because the Government is withdrawing key support for them.

According to the reports the Government instead plans to hand money to local councils – but as we have seen before local government is expected to make this cash go further than the Government could manage. According to recent media reports “the government proposes handing a “ring-fenced” grant to councils for short-term supported housing. However, this does not exclusively cover refuges – it is also aimed at older people, homeless people, offenders, people with mental illnesses and drug addicts”.

Council recognises local authorities such as Wirral have demonstrated their ability to show great prudence and planning in making ever decreasing funding go much further, but believes it is unacceptable for the Government to place further pressures on local government, placing more women at risk because they are failing to balance their own budget.

Council agrees to write to the Home Secretary to ask her to drop these proposals and take the safety of women in situations of domestic abuse more seriously by providing adequate funding for key issues such as women's refuges and on-going support for women fleeing domestic violence.



105 **MOTION - ORGREAVE TRUTH AND JUSTICE CAMPAIGN**

**Proposed** by Councillor Christine Spriggs

**Seconded** by Councillor Brian Kenny

This Council is concerned and disappointed by the Home Secretary's rejection on the 31st October, 2016 of an Inquiry into the policing of events at Orgreave.

This Council observes that the Independent Police Commission said in their redacted report released in June 2015 "that there was evidence of excessive violence by police officers, and a false narrative from police exaggerating violence by miners, perjury by officers giving evidence to prosecute the arrested men, and an apparent cover-up of that perjury by senior officers".

This Council believes in the light of such statements that the Home Secretary needs to review her decision and ensure that there is a full public inquiry into the events at the Orgreave coking plant on 18th June 1984.

This Council notes that 95 miners were arrested and charged with offences, but were all later acquitted amid claims that police at the time had fabricated evidence.

Council agrees to write to the Home Secretary and ask that she takes into account the opinion of this Council and accepts that there is widespread public concern about events at Orgreave and calls for her to order a public inquiry into them.

Having applied the guillotine in accordance with minute 99 ante, the Council did not debate this matter.

Prior to the motion being put to the vote, Councillor Blakeley and five Conservative Members rose to request a 'card vote'.

A 'card vote' was then taken and the Council divided as follows:

For the motion (53) Councillors R Abbey, T Anderson, B Berry, C Blakeley A Brighouse, P Brightmore, D Burgess-Joyce, C Carubia, P Cleary, A Davies, G Davies, P Davies, P Doughty, D Elderton, G Ellis, S Foulkes, P Gilchrist, J Green, P Hackett, P Hayes, A Hodson, AER Jones, C Jones, S Kelly, B Kenny, A Leech, I Lewis, M McLaughlin, J McManus, C Meaden, B Mooney, C Muspratt, T Norbury, C Povall, D Realey, L Reecejones, L Rennie, L Rowlands, PA Smith, C Spriggs, J Stapleton, P Stuart, M Sullivan, A Sykes, T Usher, J Walsh, W Ward, G Watt, S Whittingham, I Williams, KJ Williams, J Williamson and G Wood.

Against the motion (0)

One abstention – Councillor A McLachlan (Civic Mayor).

**Resolved (53:0) (One abstention) – That the motion be approved.**

106 **MOTION - THE UNITED KINGDOM'S HOUSEHOLD DEBT TICKING TIME-BOMB**

**Proposed** by Councillor Adrian Jones

**Seconded** by Councillor Paul Stuart

Council notes that in once prosperous Wirral hardship is increasing, food-banks can scarcely keep up with need, and the government's withdrawal of central funding is set to significantly increase poverty throughout the Borough.

The Chancellor appears to think that there are no unemployed, more jobs are being created, and the economy is sound. However, in an increasingly low-wage 'gig economy' the continuing Tory/LibDem austerity policy continues to increase poverty through wage-depression whilst food-price inflation, housing costs, and increasing travel costs inexorably drive millions of low-income families and individuals (who may be in work or not in work) into unsustainable household debt. Many who are in paid employment earn so little that they qualify for benefits – a transfer payment of funds from the public purse to subsidise a low-wage "austerity" culture. Council notes that the present UK generation still anticipate becoming the first to receive lower life-time earnings than their parents and to be unlikely ever to earn enough to become home-owners.

The rapid expansion of private debt was recognised as early as 2015 when Ian Duncan Smith's right wing 'think tank' warned that household debt had risen by more than £34 billion in less than three years and stood at £1.47 trillion – the highest ever recorded. Almost nine million people were 'over indebted' through credit card borrowing, bank overdrafts, and pay-day loans. The IDS findings are vindicated by the JP Morgan Chase Foundation's research, revealing that as many as fifteen million UK people are now in serious debt just trying to pay their ordinary living bills. The extent of hardship is illustrated in Wirral's formerly prosperous shopping centres where major retailers are closing to be replaced increasingly by charity shops and pawn-broking businesses, and by the dependency of so many people (including many who are in paid employment) on charities and food banks.

Council agrees to write to the Chancellor of the Exchequer and ask him to recognise the growing problem of household debt on the poorest families on Wirral and to reconsider his welfare policies.

Having applied the guillotine in accordance with minute 99 ante, the Council did not debate this matter.

**Resolved (38:16) (One abstention) – That the motion be approved.**

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# EXTRAORDINARY COUNCIL

Monday, 11 December 2017

Present: The Civic Mayor (Councillor Ann McLachlan) in the Chair  
Deputy Civic Mayor (Councillor Geoffrey Watt)

Councillors	RL Abbey	P Hackett	L Reecejones
	T Anderson	P Hayes	L Rennie
	B Berry	A Hodson	L Rowlands
	C Blakeley	K Hodson	T Smith
	A Brighthouse	AER Jones	C Spriggs
	P Brightmore	C Jones	J Stapleton
	D Burgess-Joyce	S Kelly	P Stuart
	C Carubia	B Kenny	M Sullivan
	P Cleary	A Leech	A Sykes
	A Davies	I Lewis	T Usher
	G Davies	M McLaughlin	J Walsh
	P Davies	J McManus	W Ward
	P Doughty	C Meaden	S Whittingham
	D Elderton	B Mooney	J Williamson
	G Ellis	C Muspratt	I Williams
	S Foulkes	T Norbury	KJ Williams
	P Gilchrist	C Povall	S Williams
	JE Green	D Realey	G Wood

Apologies Councillors E Boulton T Jones  
W Clements D Mitchell  
WJ Davies M Patrick  
J Hale T Pilgrim  
T Johnson

## 107 PROCEDURAL MOTION

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

**Resolved (33:21) (One abstention) – That only movers and seconders be heard prior to the Council moving to a vote on the motion and the amendment.**

## 108 DECLARATIONS OF INTEREST

Members of the Council were invited to consider whether they had any disclosable pecuniary and/or any other relevant interest in connection with

any matters to be determined at this meeting and, if so, to declare it and state the nature of such interest.

No such declarations were made.

109 **CIVIC MAYOR'S ANNOUNCEMENTS**

The Civic Mayor noted that apologies had been received from Councillors Eddie Boulton, Wendy Clements, Bill Davies, John Hale, Treena Johnson, Tony Jones, Dave Mitchell, Matthew Patrick and Tracey Pilgrim.

110 **MOTION - ACTION ON SCRAMBLER BIKES**

**Proposed** by Councillor Bruce Berry  
**Seconded** by Councillor Chris Blakeley

Council welcomes the launch of the Wirral Safer Hub.

However Council notes that there is increasing public concern concerning anti-social behaviour relating to motor bikes and scrambler bikes.

Council further notes that Merseyside Police, despite the good work carried out under Operation Brookdale, do not seem to be able to contain the root cause of the problem.

Council therefore requests the Wirral Safer Hub set up a dedicated task force using all agencies, elected members and the voluntary sector to come up with a plan to tackle this menace.

**Amendment**

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

**Proposed** by Councillor George Davies  
**Seconded** by Councillor Phil Davies

*Delete all after second paragraph, replace with:*

“Council acknowledges and appreciates the work community safety officers, volunteer groups and the vast majority of responsible parents and residents are taking. It also applauds the police for tackling this issue in the face of continued drastic cuts to the Merseyside Police budget.

Council pledges to work with local communities and residents through the Safer Wirral Hub and other networks, to continue to do everything possible to tackle this issue.

Council calls upon the leader to write to the Home Secretary calling for the Government to set aside funds and resources to help police forces such as Merseyside to take immediate action to crack down on the dangerous rise in scrambler bike offences.”

Following speeches from the movers and seconders, the amendment was put and carried (38:17) (One abstention).

The substantive motion, as amended was then put and carried (55:0) (One abstention).

**Resolved (55:0) (One abstention) –**

**Council welcomes the launch of the Wirral Safer Hub.**

**However Council notes that there is increasing public concern concerning anti-social behaviour relating to motor bikes and scrambler bikes.**

**Council acknowledges and appreciates the work community safety officers, volunteer groups and the vast majority of responsible parents and residents are taking. It also applauds the police for tackling this issue in the face of continued drastic cuts to the Merseyside Police budget.**

**Council pledges to work with local communities and residents through the Safer Wirral Hub and other networks, to continue to do everything possible to tackle this issue.**

**Council calls upon the leader to write to the Home Secretary calling for the Government to set aside funds and resources to help police forces such as Merseyside to take immediate action to crack down on the dangerous rise in scrambler bike offences.**

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## Budget and Policy Framework Procedure Rules

### 1. The Framework for Executive Decisions

The Council will be responsible for the adoption of its budget and policy framework as set out in Article 4. Once a budget or a policy framework is in place, it will be the responsibility of the Cabinet to implement it.

### 2. Developing the Budget and Policy Framework

The process by which the Budget and Policy Framework shall be developed and revised is:

- (a) The Cabinet will publicise a timetable for making proposals to the Council for the adoption of any plan, strategy or budget that forms part of the Budget and Policy Framework, and its arrangements for consultation after publication of those initial proposals. The Chair and Vice Chair of the Co-ordinating Committee will also be notified. Consultation will take place in a manner and to the extent that is appropriate in the circumstances.
- (b) In relation to proposals associated with the preparation of or alterations to the Development Plan the Executive will develop draft proposals for the purpose of public consultation in accordance with regulations 10 to 22 of the Town and Country Planning (Development Plans) (England) Regulation 1999. The draft consultation proposals will be submitted to Council for approval or amendment.
- (c) At the end of the consultation period, the Cabinet will draw up firm proposals for plans and the budget having regard to the responses to that consultation. The Cabinet's report to Council will reflect the comments made by consultees and the Cabinet's response.
- (d) Once the Cabinet has approved the firm proposals, the Chief Executive will refer them at the earliest opportunity to the Council for decision.

### 3. Adoption of Plans and Strategies <sup>1</sup>

- (a) *Where the process at Paragraph 2 results in the Leader or Cabinet submitting a draft plan or strategy to the Council for its consideration and, following consideration of that draft plan or strategy, the Council has any objections to it, the Council must take the action set out in paragraph (b).*
- (b) *Before the Council—*

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<sup>1</sup> This paragraph contains standing orders that incorporate the provisions, or are of like effect, required by the Local Authorities (Standing Orders) (England) Regulations 2001 [as amended by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014].

- (i) *amends the draft plan or strategy;*
  - (ii) *approves, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft) of which any part is required to be so submitted; or*
  - (iii) *adopts (with or without modification) the plan or strategy,*
- it must inform the Leader of any objections which it has to the draft plan or strategy and must give instructions requiring the Leader or Cabinet to reconsider, in the light of those objections, the draft plan or strategy submitted to it.*
- (c). *Where the Council gives instructions in accordance with paragraph (b), it must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions within which the Leader or Cabinet may—*
- (i) *submit a revision of the draft plan or strategy as amended by the Leader or Cabinet (the “revised draft plan or strategy”), with the Leader or Cabinet’s reasons for any amendments made to the draft plan or strategy, to the Council for the Council’s consideration; or*
  - (ii) *inform the Council of any disagreement that the Leader or Cabinet has with any of the Council’s objections and the Leader or Cabinet’s reasons for any such disagreement.*
- (d) *When the period specified by the Council, referred to in paragraph (c), has expired, the Council must, when—*
- (i) *amending the draft plan or strategy or, if there is one, the revised draft plan or strategy;*
  - (ii) *approving, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft or revised draft) of which any part is required to be so submitted; or*
  - (iii) *adopting (with or without modification) the plan or strategy,*
- take into account any amendments made to the draft plan or strategy that are included in any revised draft plan or strategy, the Leader or Cabinet’s reasons for those amendments, any disagreement that the Leader or Cabinet has with any of the Council’s objections and the Leader or Cabinet’s reasons for that disagreement, which the Leader or Cabinet submitted to the Council, or informed the Council of, within the period specified.*

#### **4. Adoption of the Budget <sup>2</sup>**

- (a) *The process at Paragraph 2 will result in Cabinet making recommendations to Council on budget proposals and estimates in relation to the following financial*

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<sup>2</sup> This paragraph contains standing orders that incorporate the provisions, or are of like effect, required by the Local Authorities (Standing Orders) (England) Regulations 2001 [as amended by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014].

year to a Budget Decision meeting of Council to enable the Council to set a lawful and balanced budget and to set the Council Tax by 11<sup>th</sup> March each year. Every Council has a statutory obligation to agree the Council tax by that date.

- (b) *The Budget Decision meeting of Council will only consider:*
  - (i) *the Cabinet's Budget Recommendations/Minutes, which shall include any additional paragraphs/ recommendations (e.g. those relating to precepts), together with any other recommendation(s)/minute(s) from the last relevant Cabinet meeting held before the meeting of Council (and/or any other relevant Cabinet meeting) that require approval by the Council; and*
  - (ii) *any objections to those Recommendations, Alternative Budget Proposal(s) or Amendment(s) to the Cabinet's Budget Recommendations/Minutes referred to at (i).*
- (c) *Where the Council, following consideration of those estimates or amounts, has any objections to them, it must take the action set out in paragraph (d). Where those objections take the form of a proposal to move a substantial amendment or amendments which amount to an alternative budget decision to be adopted by the Council, they may only do so provided they give notice in writing of the proposed amendment(s) to the Monitoring Officer no later than **12 noon three working days before the Council meeting** (not including the day of the meeting).*
- (d). *Before the Council makes a Budget Decision, it must inform the Leader of any objections which it has to the Cabinet's estimates or amounts and must give to the Leader instructions requiring the Leader and Cabinet to reconsider, in the light of those objections, those estimates and amounts in accordance with the Council's requirements.*
- (e). *Where the Council gives instructions in accordance with paragraph (d), it must specify a period of at least five working days beginning on the day after the date on which the Cabinet leader receives the instructions on behalf of the Cabinet within which the Cabinet leader may—*
  - (i) *submit a revision of the estimates or amounts as amended by the Cabinet ("revised estimates or amounts"), which have been reconsidered in accordance with the Council's requirements, with the Cabinet's reasons for any amendments made to the estimates or amounts, to the Council for the Council's consideration; or*
  - (ii) *inform the Council of any disagreement that the Cabinet has with any of the Council's objections and the Cabinet's reasons for any such disagreement.*
- (f). *When the period specified by the Council, referred to in paragraph (e), has expired, the Council must, when making a Budget Decision, take into account—*
  - (i) *any amendments to the estimates or amounts that are included in any revised estimates or amounts;*
  - (ii) *the Cabinet's reasons for those amendments;*

- (iii) *any disagreement that the Cabinet has with any of the Council's objections; and*
  - (iv) *the Cabinet's reasons for that disagreement,*  
*which the Cabinet leader submitted to the Council, or informed the Council of, within the period specified.*
- (g) *Immediately after any vote is taken at a Budget Decision meeting of the Council there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.*
- (h) *Within these Rules "Budget Decision" means a meeting of the full Council:*
  - (i) *at which it makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A, 31B, 34 to 36A, 42A, 42B, 45 to 49, 52ZF, 52ZJ of the Local Government Finance Act 1992;*
  - (ii) *which includes a meeting where making the calculation or issuing the precept as the case may be was included as an item of business on the agenda for that meeting; and*
  - (ii) *in respect of which references to a vote are references to a vote on any decision related to the making of the calculation.*

## **5. Decisions outside the budget or policy framework**

- (a) Any person or body exercising executive functions must normally act within the budget and policy framework. A decision is outside the budget and policy framework if it is contrary to the policy framework set out in Article 4 of the Constitution or contrary to or not wholly in accordance with the budget as defined in Article 4.
- (b) Urgent decisions outside the budget or policy framework may be made in the circumstances described in paragraph 5 below.
- (c) Virement will be possible to the extent described in the Council's Financial Procedure Rules.
- (d) In any other circumstances if a person or body exercising executive functions wishes to make a decision which is outside the budget or policy framework, then that decision may only be taken by the Council. It is the duty of the person or body who wishes to make the decision to refer it to Council.
- (e) In any case if a person or body wishes to make a decision which appears to be outside the budget or policy framework they shall take advice from the Monitoring Officer and/or the Chief Financial Officer. Those officers shall advise as to whether the proposed decision would in fact be contrary to the policy framework, or contrary to or not wholly in accordance with the budget. If the advice of either of those officers is that the decision would not be in line with the existing budget and/or policy framework, then the decision must be referred by that body or person to the Council for decision. The only exception to this is if the decision is a

matter of urgency. In that case the provisions in paragraph 6 (urgent decisions outside the budget and policy framework) shall apply.

## **6. Urgent decisions outside the Budget or Policy Framework**

This procedure covers decisions contrary to the policy framework and contrary to or not wholly in accordance with the budget.

- (a) Any person or body discharging executive functions may take a decision which is contrary to the Council's policy framework or contrary to or not wholly in accordance with the budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:
  - (i) if it is not practical to convene a quorate meeting of the full Council; and
  - (ii) if the Chair and Vice Chair of the Co-ordinating Committee agrees that the decision is a matter of urgency.

The reasons why it is not practical to convene a quorate meeting of full Council must be noted on the record of the decision. The consent of the Chair and Vice Chair of the Co-ordinating Committee to the decision being taken as a matter of urgency must also be noted on that record. In the absence of the Chair and Vice Chair of the Co-ordinating Committee the consent of the Chair and Vice Chair of a Policy and Performance Committee whose terms of reference would allow it to scrutinise the proposed decision shall suffice. In his or her absence the consent of the Mayor will be sufficient.

- (b) Following the decision, the decision taker will provide a full report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

## **7. Virement**

Proposals concerning virement limits will be included in the Revenue Budget and Council Tax levels 2018/19 report to be considered by Cabinet and Council in February and March 2018.

## **8. In-year changes to policy framework**

All decisions in relation to executive functions must be in line with the policy framework. Only the Council can change any policy or strategy which is part of the framework except that the Cabinet may make changes:

- (a) to give effect to a ministerial requirement in relation to any plan or strategy submitted to him for approval;
- (b) if so authorised by the Council when approving or adopting the plan or strategy.
- (c) Any decisions subject to the provisions of paragraph 5 above.

## **9. Call-in of decisions outside the budget or policy framework**

- (a) Where the Co-ordinating Committee is of the opinion that an executive decision is, or if made would be, contrary to the policy framework, or contrary to or not wholly in accordance with the Council's budget, then it shall seek advice from the Monitoring Officer and/or Chief Financial Officer.
- (b) In respect of functions, which are the Executive functions, the Monitoring Officer's report and/or Chief Financial Officer's report shall be to the Cabinet with a copy to every member of the Council. Regardless of whether the decision is delegated or not, the Cabinet must meet to decide what action to take in respect of the Monitoring Officer's report and to prepare a report to Council in the event that the Monitoring Officer or the Chief Finance Officer conclude that the decision was a departure, and to the Co-ordinating Committee if the Monitoring Officer or the Chief Finance Officer conclude that the decision was not a departure.
- (c) If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and/or the Chief Financial Officer is that the decision is or would be contrary to the policy framework or contrary to or not wholly in accordance with the budget, the Co-ordinating Committee may refer the matter to Council. In such cases, no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within 14 days of the request by the Co-ordinating Committee. At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and/or the Chief Financial Officer. The Council may:
  - (i) endorse a decision or proposal of the Cabinet decision taker as falling within the existing budget and policy framework. In this case no further action is required, save that the decision of the Council be minuted and circulated to all councillors in the normal way; or
  - (ii) amend the Council's Financial Procedure Rules or policy concerned to encompass the decision or proposal of the body or individual responsible for that Cabinet function and agree to the decision with immediate effect. In this case, no further action is required save that the decision of the Council be minuted and circulated to all councillors in the normal way; or
  - (iii) where the Council accepts that the decision or proposal is contrary to the policy framework or contrary to or not wholly in accordance with the budget, and does not amend the existing framework to accommodate it, require the Cabinet to reconsider the matter in accordance with the advice of either the Monitoring Officer or Chief Financial Officer.

## **Budget Debate Process**

### **1. Cabinet Minute**

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

### **2. Alternative Budget Proposal(s)/Amendments**

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

#### **First Alternative Budget Proposal(s) or Amendment**

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

#### **Second Alternative Budget Proposal(s)/Amendment**

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

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

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

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

**3. Debating and Voting**

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

Order of Speakers

- a. The Leader of the Council will speak to the Cabinet Budget Recommendations/Minute(s) (15 Minutes).
- b. The Portfolio Holder for Children's Services will speak to the Schools' Budget element of the Cabinet Budget Recommendations/Minute(s). (7 Minutes).
- c. The Group Leader of the largest opposition political group will speak to the First Alternative Budget Proposal(s)/Amendment (15 Minutes).
- d. The Group Leader of the other opposition political group will speak to the Second Alternative Budget Proposal(s)/Amendment (15 Minutes).
- e. If applicable, the Green Party Member will speak to the Third Alternative Budget Proposal(s)/Amendment (5 Minutes).
- f. Other members wishing to speak shall indicate to the Mayor, who will call them to speak in the order determined by the Mayor (Each Member - 3 Minutes).
- g. The budget debate shall end with the Seconders, **unless** they have spoken earlier. (Each Secunder - 7 Minutes save for the Secunder of the Green Party Alternative Budget Proposal(s)/Amendment who shall have 3 Minutes).



### **Right of Reply**

- h. If applicable, the Proposer of the Third Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (3 Minutes).
- i. The Proposer of the Second Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).
- j. The Proposer of the First Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).
- k. The Leader of the Council will be invited to exercise his right of reply. (5 Minutes).

### **Speakers**

Speakers will be allocated the following time:

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

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

#### 4. Voting

The order of voting shall be as follows (and subject to 4(d)(ii) below):

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

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

b. Second Alternative Budget Proposal(s)/Amendment

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

c. First Alternative Budget Proposal(s)/Amendment

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

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

- (i) If all the Alternative Budget Proposal(s)/Amendments to the Cabinet's Budget Recommendation(s)/Minute(s) fall, a vote will be taken on the Cabinet's Budget Recommendation(s)/ Minute(s).
- (ii) If the Cabinet's Budget Recommendation(s)/Minute(s) are amended or an Alternative Budget Proposal(s) carried pursuant to 4a–c above, that decision will be regarded as an in-principle decision, and the Budget meeting of the Council shall be adjourned to [*the date to be set by Council*] unless the Leader of the Council confirms to Council that he does not intend to challenge the in-principle decision, in which case it shall become effective.

In the event that the meeting is adjourned, the Council will reconsider its decision having regard to the Leader of the Council's written submission which must be submitted to the Assistant Director: Law and Governance by 4.00pm on [*the date to be set by Council*].

At that the adjourned meeting, the Council can:

- (i) accept the Cabinet Budget Recommendation(s)/Minute(s) (without amendment);  
or
- (ii) re-affirm its approval of the in-principle decision made by Council, upon the occurrence of which it will shall become effective; or

(iii) approve a different decision that does not accord with the Cabinet Budget Recommendation(s)/Minute(s).

NOTE: The Local Authorities (Standing Orders) (England) Regulations 2001 (as amended 2014) requires a recorded vote (i.e. names of all councillors voting and how they voted) to be taken in respect of all votes.

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## MINUTE EXTRACT - BUDGET CABINET

19 February 2018

81 CAPITAL MONITORING 2017/18 QUARTER 3



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

*“This report demonstrates the major investment we are making against our priorities. It shows the sensible and pragmatic steps we are taking to make best use of the resources available to develop our assets to support our services to the public”.*

Councillor Janette Williamson introduced a report which provided an update on the progress in delivering the Capital Programme 2017/18 at the end of December 2017.

The report recommended that the Cabinet approve an amended 2017/18 Capital Programme of £59.4 million which took into account re-profiling, new bids, revised grants etc. identified since the Quarter 2 monitoring report. It was noted that the expenditure to date was £26.0 million.

This matter was a Key Decision which affected all Wards within the Borough.

**RESOLVED: That:**

- (1) The expenditure at Quarter 3 of £26.0 million be noted;**
- (2) The new bid of £0.18 million (Mobile I.T. equipment for Social Workers, paragraph 3.3.1 of the report) be approved for inclusion in the programme and referred to Council;**
- (3) The revised Capital Programme of £59.4 million (Table 1 of the report) be agreed and referred to Council.**

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**CLLR JANETTE WILLIAMSON**

**CABINET**  
**19 FEBRUARY 2018**  
**CAPITAL MONITORING 2017/18**  
**QUARTER 3 (TO DECEMBER 2017)**

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

‘This report demonstrates the major investment we are making against our priorities. It shows the sensible and pragmatic steps we are taking to make best use of the resources available to develop our assets to support our services to the public.’

### **REPORT SUMMARY**

This report provides an update on the progress in delivering the Capital Programme 2017/18 at the end of December 2017. It recommends that Cabinet agree an amended 2017/18 Capital Programme of £59.4 million which takes into account re-profiling, new bids, revised grants etc. identified since the quarter 2 monitoring report. Expenditure to date is £26.0 million.

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

### **RECOMMENDATIONS**

- 1 To note the expenditure at Quarter 3 of £26.0 million;
- 2 To approve for inclusion in the programme and refer to Council the new bid of £0.18 million (Mobile I.T. equipment for Social Workers, paragraph 3.3.1);
- 3 To agree and refer to Council the revised Capital Programme of £59.4 million (Table 1).

## SUPPORTING INFORMATION

### 1.0 REASONS FOR RECOMMENDATIONS

1.1 Regular monitoring and reporting of the Capital Programme enables decisions to be taken faster which may produce revenue benefits and will improve financial control of the Programme.

### 2.0 OTHER OPTIONS CONSIDERED

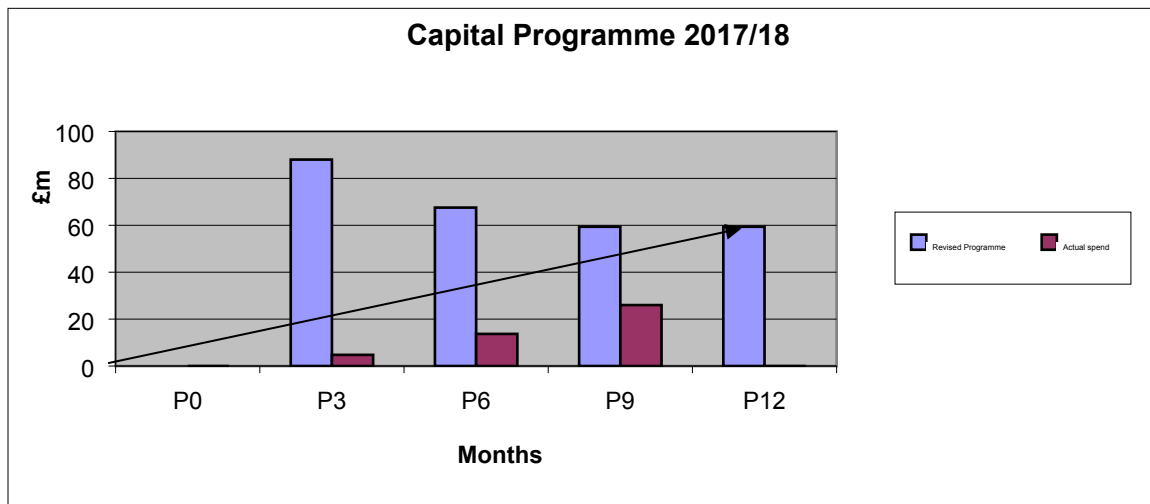
2.1 No other options have been considered.

### 3.0 BACKGROUND INFORMATION

#### OVERALL POSITION AT THE END OF QUARTER 3 (DECEMBER 2017)

3.1 The actual spend against the Capital Programme is summarised in Table 1.

**Chart 1: Capital Programme spend below line of best fit**



#### ORIGINAL AND PROPOSED CAPITAL PROGRAMME FOR 2017/18

3.2 The Programme for 2017/18 is subject to change. It presently reflects the following changes which are then detailed in Tables 1 and 2.

	£000
Programme agreed by Cabinet on 6 November 2017	67,546
Re-profiling to 2018/19 and beyond	(8,986)
New bids	180
Grant variations	551
Other variations	80
<b>Revised 2017/18 Programme</b>	<b>59.371</b>



**Table 1: Capital Programme 2017/18 at 31 December 2017**

	<b>Capital Strategy</b>	<b>Revisions Since Budget</b>	<b>Revised Capital Programme</b>	<b>Actual Spend Dec 2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Business	32,760	1,563	34,323	12,108
Environment	16,769	(11,394)	5,375	2,648
People	12,250	(5,127)	7,123	4,194
Transformation	15,740	(3,190)	12,550	7,034
<b>Total expenditure</b>	<b>77,519</b>	<b>(18,148)</b>	<b>59,371</b>	<b>25,984</b>

3.3 The significant variances which have arisen since the Quarter 2 report are:-

3.3.1 **New Bids**

**Mobile I.T. Equipment for Social Workers (£0.18m)**

Following the 2016 Ofsted report Children's Services have embarked on an improvement plan to address a number of issues raised. Caseload management was a key factor in the review and a Proof of Concept exercise has demonstrated the benefits of using mobile devices. They will increase the timeliness of case management work delivered by social workers through increased flexibility in working patterns and behaviours resulting in more intelligent and effective decisions being made for children and their families.

Estimated cost is £0.18 million in 2017/18 with the proposed funding being from Capital Receipts.

3.3.2 **Table 2 : Re-profiling and other variations (significant > £0.2m)**

<b>Scheme</b>	<b>£000</b>
<b>Business</b>	
Sustainable Transport (STEP) - a number of schemes are programmed for future years; 2018/19 East Float, Wirral Waters, A41; 2019/20 Duke St Phase 2; 2020/21 Carlett Park Re-profiled.	(2,248)
Business Investments Grants - based on the current level of applications it is unlikely that all of the funding will be required this financial year. Re-profiled.	(205)
Growth Fund - same comment as the above. Re-profiled.	(280)

<b>Environment</b>	
Aids, adaptations and DFGs - spend is influenced by a number of external factors such as the extent, complexity and value of the adaptations required. Re-profiled.	(800)
Enhanced Sheltered Housing Scheme - award of additional DFG to be spent by 31 March 2018.	306
Housing Infrastructure Fund. Project is unlikely to commence until October. Re-profiled.	(500)
<b>People</b>	
Primary places - reflects a more realistic programme for the year given that the majority of the work can only be undertaken during school holidays. Re-profiled.	(700)
Extra Care Housing - a number of potential developments have been agreed but these are unlikely to now commence before the end of the current financial year. Re-profiled.	(500)
Community Intermediate Care - a plan is being devised to support providers of residential care to meet the needs of service users who require specialised facilities. Expenditure likely to be incurred after April. Re-profiled.	(500)
<b>Transformation Programme</b>	
Customer experience, delivering differently. Re-profiled	(1,200)
Transformation Office - core staff. Re-profiled	(1,500)
Children's Services. Re-profiled.	(220)
<b>Total</b>	<b>(8,347)</b>

3.4 Schemes are subject to ongoing review to ensure that a deliverable Programme is in place, that they are compatible with the Wirral Plan and to identify any savings. Further detail of progress to date over the Wirral Plan Themes is provided in the following sections.

### 3.5 Business Theme

3.5.1 Spend of £4.3 million has been incurred this year in respect of the current dock bridges replacement scheme. This major scheme is largely funded through a Government grant and the extensive works are expected to be completed by early 2018.

3.5.2 Other significant spend includes works to refurbish and update Council buildings to increase occupancy and make fit for purpose (£1.1 million) and highways related works (£3.0 million).

- 3.5.3 The Liverpool City Region has allocated £3.1 million of grant support for Sustainable Transport Enhancement Package (STEP) programme for which a schedule of work has now been drawn up with £2.2 million allocated to future years.
- 3.5.4 The Millennium Centre (Budget £0.525 million) will be complete by end of March. Staff from Adults have started to move in. The remodelling of the layout, improvements to infrastructure and a new 70 place carpark, has enabled the building to accommodate over 100 additional staff. It is hoped these will be a mixture of Adults, NHS and Public Health as part of our efficient integration programmes.
- 3.5.5 Within the Programme is an allocation of £10 million for investment in properties. This is closely linked to the progressing Wirral Growth Company and is intended to fund acquisitions which will, in turn, provide a revenue income stream to the Council. It is anticipated that this funding will be utilised by the year end.
- 3.5.6 By utilising the skills and knowledge gained from the Wirral Waters Investment Fund, the Council now has the opportunity to support even more businesses moving into Wirral and it is proposed that the Growth Fund be allocated by the Council directly to eligible businesses and it be used to offer a mix of grant and loan.

### **3.6 Environment Theme**

- 3.6.1 The largest areas of spend so far this year relate to Aids, Adaptations and Disabled Facilities Grants (£1.1 million) with a further £0.6m of adaptation schemes currently approved.
- 3.6.2 £0.3 million has been spent on home improvements. This is by way of 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.
- 3.6.3 Enabling works are complete in respect of the Integrated Accommodation scheme at West Kirby Marine Lake. The building is now DDA compliant and meets Health & Safety and Fire Safety standards for the coming season. Tenders for the full scheme have now been agreed with commencement expected March 2018.

### **3.7 People Theme**

- 3.7.1 The majority of expenditure charged so far relates to schools related capital (£3.3 million). As with previous years the works to schools are largely programmed to be undertaken during the school holiday periods. Some of the more recent developments are:

**Meadowside Special School:** Construction of new hydrotherapy pool and changing facilities. The design is fully accessible for all pupils and includes a new boiler plant room, showers, medical rooms, improved heating and lighting and new external and internal windows. The project is due for completion in April 2018 and has been designed in-house.

**Stanley / Foxfield Special Schools:** Two new sensory gardens now completed and designed by external landscape architects. The design included pupil friendly plantations, sensory play equipment, accessible pathways in varied textures and finishes and covered teaching areas.

**Mosslands High School:** New flat roof installation to the school main block. Refurbishment of top floor classrooms including heating, lighting, floors, ceilings and full re-decoration.

**Town Lane Infants:** This project is part of our pupil place planning [sufficiency] and includes the expansion of the building and internal modernisation including new classrooms, new toilets, resource areas, improved heating and lighting, external access and play. The project is due for completion end of February 2018 and has been designed in-house.

- 3.7.2 The Transformation Programme includes significant funding (£10 million) in respect of the Improvement Plan for Children’s Services which is being implemented with investment in staff across a number of critical areas. These will help address the needs of those leaving care with more PA’s, strengthen the Multi-Agency Safeguarding Hub (MASH) and Safeguarding teams, address high caseloads, improve information within the department and enhance Early Help and Prevention services. The costs will be transferred to the Capital Programme during the year.

## FINANCING OF THE CAPITAL PROGRAMME

- 3.8 Table 3 summarises the financing sources for the original and latest Programme.

**Table 3: Revised Capital Programme Financing**

<b>Capital Programme Financing</b>	<b>Capital Strategy</b>	<b>Revised Programme</b>
	<b>£000</b>	<b>£000</b>
Unsupported Borrowing	35,121	24,649
Capital Receipts	17,677	13,802
Grants	20,571	19,444
Business Rates (Wirral Waters - ring-fenced)	4,000	550
Reserves	150	926
<b>Total Financing</b>	<b>77,519</b>	<b>59,371</b>

- 3.9 Re-profiling that reduces borrowing will produce revenue savings in both 2017/18 and 2018/19 after which the full budget will be required.

## PROJECTED LONGER TERM CAPITAL PROGRAMME

- 3.10 Funding for the 2017/18 to 2019/20 Programme is in Table 4. This reflects the 2017/18 Capital Programme agreed by Cabinet on 20 February 2017 with subsequent amendments for re-profiling, grant notifications etc.

**Table 4: Capital Programme Financing 2017/18 to 2019/20**

Capital Programme Financing	2017/18 Revised Prog	2018/19 Prog	2019/20 Prog	Total Prog
	£000	£000	£000	£000
Unsupported Borrowing	24,649	23,089	10,470	58,208
Capital Receipts	13,802	14,162	-	27,964
Grants	19,444	20,319	6,140	45,903
Business Rates (Wirral Waters - ring-fenced)	550	6,000	5,000	11,550
Reserves	926	-	-	926
<b>Total Financing</b>	<b>59,371</b>	<b>63,570</b>	<b>21,610</b>	<b>144,551</b>

The 2018/19 programme includes £10 million to fund another year of transformation funded from capital receipts.

## SUPPORTED AND UNSUPPORTED BORROWING AND THE REVENUE CONSEQUENCES OF UNSUPPORTED BORROWING

- 3.11 Based on current cost, £1 million of Prudential Borrowing would result in additional revenue financing costs of approximately £55,000 per annum in the following year. As part of the Capital Strategy 2017/18 to 2019/20 the Council has included an element of Prudential Borrowing and presently there is £58.2 million included over the three years, which will result in approximately £3.8 million of additional revenue costs as detailed at Table 5.

**Table 5: Unsupported Borrowing Forecasts & Revenue Costs**

	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
New Unsupported Borrowing	24,649	23,089	10,470	0
Cumulative	24,649	47,738	58,208	58,208
Annual Revenue repayment costs				
Cumulative	400	2,225	3,300	3,830

## CAPITAL RECEIPTS POSITION

- 3.12 In accordance with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2022 (originally March 2019) can be used to support Transformation. This has been reflected in the Capital Programme for 2017/18 and in the receipts assumptions for 2018/19 and 2019/20. Receipts prior to 1 April 2016 are not eligible to be used to fund Transformation.

- 3.13 The Capital Programme is partly reliant on the generation of receipts to finance future schemes. Available receipts at 1 April 2017 were £5.6 million with £3.0 million available to fund the Transformation Programme and £2.6 million to fund the ongoing Capital Programme. The tables below assume that the proposed spend, set out at Table 1 is agreed. Receipts and funding assumptions are based upon the latest estimates.

**Table 6: Projected Capital Receipts position 2017/18**

	<b>Capital Programme</b>	<b>Transformation Programme</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance 1 April 2017	2,604	2,954	5,558
Estimated receipts	632	5,022	5,654
Funding required	-1,252	-12,550	-13,802
Future Capital Receipts Required to be achieved	0	4,574	4,574
<b>Balance 31 March 2018</b>	<b>1,984</b>	<b>0</b>	<b>1,984</b>

- 3.14 The assumption for receipts in 2017/18 is predicated on the fact that the anticipated expenditure on the Transformation Programme of £12.550 million (including Children's Services) is to be funded from allowable receipts generated in 2016/17 and 2017/18. Although the final receipt for the sale of Manor Drive will not occur until 2018/19 we are allowed to account for it, and have done so, in 2017/18.

**Table 7: Projected Capital Receipts position 2018/19**

	<b>Capital Programme</b>	<b>Transformation Programme</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance 1 April 2018	1,984	0	1,984
Estimated receipts	550	12,697	13,247
Funding required	-792	-13,370	-14,162
Future Capital Receipts Required to be achieved	0	673	673
<b>Balance 31 March 2019</b>	<b>1,742</b>	<b>0</b>	<b>1,742</b>

- 3.15 The receipt for Acre Lane will be over a 3 year period commencing 2018/19. Once the sale becomes a binding agreement accounting rules permit the total receipt to be accounted for in the first year.

3.16 Current estimates indicate a shortfall in receipts of £5.25 million for the current year and at the end of 2018/19 in relation to the Transformation Programme. The Flexible Use of Capital Receipt Directive allows authorities to use any receipts generated at any point between 1 April 2016 and 31 March 2022 (originally 31 March 2019) to finance qualifying expenditure incurred at any point during that period. This means that the Council can use receipts received in all years up to and including 2021/22 the final year of the Directive, to fund a potential short fall at the end of the scheme. However the Council needs to meet the shortfall at the end of 2021/22 through either generating further capital receipts in the preceding years or reducing the amount of expenditure.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The financial implications are contained in the report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising directly from this report.

#### **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 possibility of failure to deliver the Capital Programme will be mitigated by the monthly review by a senior group of officers, charged with improving performance.

7.2 The generation of capital receipts may be influenced by factors outside the authority's control e.g. ecological issues. Lambert, Smith, Hampton are still providing external support.

## **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 1 – Capital Programme and Funding 2017/18

Appendix 2 – Capital Receipts 2017/18

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Capital monitoring reports presented to Cabinet	Various
Capital Programme – Council	3 March 2016
Capital Programme – Council	6 March 2017



## Capital Programme and Funding 2017/18

## APPENDIX 1

<b>Business Theme</b>	<b>Revised Programme £000</b>	<b>Spend to Date £000</b>	<b>Council Resources £000</b>	<b>Reserves £000</b>	<b>Business Rates £000</b>	<b>Grants £000</b>	<b>Total Funding £000</b>
Building refurb to increase occupancy	<b>1,315</b>	1,127	1,315	-	-	-	<b>1,315</b>
Fund to assist land assembly and resale	<b>468</b>	207	468	-	-	-	<b>468</b>
Cleveland Street transport depot	<b>120</b>	-	120	-	-	-	<b>120</b>
Demolish former Rock Ferry High School	<b>70</b>	112	70	-	-	-	<b>70</b>
Demolish Stanley School	<b>30</b>	32	30	-	-	-	<b>30</b>
Demolish former Foxfield School	<b>11</b>	-	11	-	-	-	<b>11</b>
Treasury Building	<b>413</b>	245	413	-	-	-	<b>413</b>
Cyber Security	<b>1,000</b>	100	1,000	-	-	-	<b>1,000</b>
Data Centre	<b>1,500</b>	888	-	821	-	679	<b>1,500</b>
Children's Services collaboration	<b>102</b>	-	102	-	-	-	<b>102</b>
Eureka	<b>60</b>	-	60	-	-	-	<b>60</b>
Industrial Estates	<b>150</b>	70	150	-	-	-	<b>150</b>
Millennium Centre re-modelling	<b>525</b>	438	525	-	-	-	<b>525</b>
Active travel	<b>30</b>	21	30	-	-	-	<b>30</b>
Bridges	<b>938</b>	181	788	-	-	150	<b>938</b>
Highway maintenance	<b>2,888</b>	2,419	-	-	-	2,888	<b>2,888</b>
Transport for growth/integrated transport	<b>2,912</b>	611	1,443	-	-	1,469	<b>2,912</b>
Coast protection	<b>124</b>	9	124	-	-	-	<b>124</b>
STEP	<b>1,202</b>	184	-	-	-	1,202	<b>1,202</b>
Dock bridges replacement	<b>6,347</b>	4,281	902	-	-	5,445	<b>6,347</b>
Replace highways grass cutting machinery	<b>288</b>	286	288	-	-	-	<b>288</b>

<b>Business Theme (continued)</b>	<b>Revised Programme £000</b>	<b>Spend to Date £000</b>	<b>Council Resources £000</b>	<b>Reserves £000</b>	<b>Business Rates £000</b>	<b>Grants £000</b>	<b>Total Funding £000</b>
Business investment grants	683	147	683	-	-	-	683
Growth fund	320	-	320	-	-	-	320
Webcasting	225	-	225	-	-	-	225
Thermal mapping	42	-	42	-	-	-	42
Pothole action fund	270	196	-	-	-	270	270
Street lighting	1,165	208	1,000	105	-	60	1,165
Car parking	575	1	575	-	-	-	575
Investment in properties	10,000	-	10,000	-	-	-	10,000
Wirral Waters Investment Fund	550	345	-	-	550	-	550
	<b>34,323</b>	<b>12,108</b>	<b>20,684</b>	<b>926</b>	<b>550</b>	<b>12,163</b>	<b>34,323</b>

<b>Environment Theme</b>	<b>Revised Programme £000</b>	<b>Spend to Date £000</b>	<b>Council Resources £000</b>	<b>Reserves £000</b>	<b>Business Rates £000</b>	<b>Grants £000</b>	<b>Total Funding £000</b>
Park depot rationalisation	260	153	260	-	-	-	260
Parks vehicles replacement	47	15	47	-	-	-	47
Cemetery extensions and improvements	260	5	260	-	-	-	260
Transport museum	180	2	180	-	-	-	180
Flaybrick cemetery	-	82	-	-	-	-	-
Soft play areas at leisure centres	300	-	300	-	-	-	300
W.K. Marine Lake integrated accommodation	200	133	200	-	-	-	200
Bidston tennis centre re-roofing	21	11	21	-	-	-	21
Leasowe Leisure Centre outdoor 3G	100	-	100	-	-	-	100
Oval Sports Centre redevelopment	105	80	105	-	-	-	105
Thermal Pool Covers	150	-	150	-	-	-	150
Beechwood skate park	80	75	-	-	-	80	80
West Kirby flood alleviation	100	22	100	-	-	-	100
CCTV cameras and other equipment	100	12	100	-	-	-	100
Aids, adaptations and DFGs	1,700	1,129	-	-	-	1,700	1,700
Enhanced Sheltered Housing	306	-	-	-	-	306	306
Restore empty homes	354	246	-	-	-	354	354
Clearance	200	80	-	-	-	200	200
Home improvements	500	342	500	-	-	-	500
New house building	350	247	350	-	-	-	350
Housing infrastructure fund	-	-	-	-	-	-	-
Wirral sailing centre	62	14	62	-	-	-	62
	<b>5,375</b>	<b>2,648</b>	<b>2,735</b>	<b>-</b>	<b>-</b>	<b>2,640</b>	<b>5,375</b>

<b>People Theme</b>	<b>Revised Programme £000</b>	<b>Spend to Date £000</b>	<b>Council Resources £000</b>	<b>Reserves £000</b>	<b>Business Rates £000</b>	<b>Grants £000</b>	<b>Total Funding £000</b>
Pensby Wood day service re-modelling	<b>1,300</b>	545	1,135	-	-	165	<b>1,300</b>
Family support schemes	<b>191</b>	34	191	-	-	-	<b>191</b>
Stanley Special additional classrooms etc.	<b>4</b>	12	4	-	-	-	<b>4</b>
School condition allocation	<b>3,000</b>	2,019	-	-	-	3,000	<b>3,000</b>
Basic needs	<b>676</b>	635	-	-	-	676	<b>676</b>
School remodelling (Primary places)	<b>1,402</b>	640	1,152	-	-	250	<b>1,402</b>
Public Health	<b>200</b>	193	-	-	-	200	<b>200</b>
Citizen and Provider Portal/integrated I.T for social care	<b>150</b>	19	-	-	-	150	<b>150</b>
Assistive technology	<b>200</b>	97	-	-	-	200	<b>200</b>
	<b>7,123</b>	<b>4,194</b>	<b>2,482</b>	-	-	<b>4,641</b>	<b>7,123</b>
Transformation Programme (including Children's Services)	<b>12,550</b>	<b>7,034</b>	<b>12,550</b>	-	-	-	<b>12,100</b>
<b>Total</b>	<b>59,371</b>	<b>25,984</b>	<b>38,451</b>	<b>926</b>	<b>550</b>	<b>19,444</b>	<b>59,371</b>

## APPENDIX 2

### CAPITAL RECEIPTS 2017/18

<b>Cash Received</b>	<b>£000</b>
Ex-HRA Magenta Housing Right to Buy	633
Acre Lane deposit	250
Old Court House, Manor Rd.	157
Renovation loans	182
Windmill public house freehold reversion	25
	<b>1,247</b>

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## MINUTE EXTRACT - BUDGET CABINET

19 February 2018

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### 2018/19 BUDGET PROPOSALS SCRUTINY REPORT



**Councillor Phil Davies, Leader of the Council – Growth, said:**

*“As austerity policies continue, the Council’s budget position does not get any easier.*

*This inevitably requires difficult proposals to be put on the table for investigation, review and debate. This Administration has consistently developed budgets in a consultative, collaborative manner – inviting all Elected Members and other stakeholders to provide their views and make their voice heard.*

*I am grateful to the Members of our Overview and Scrutiny committees who have once again provided invaluable insight and opinion on the budget proposals this year”.*

Councillor Phil Davies introduced a report that set out the feedback from the Council’s Overview and Scrutiny Committees in relation to the Budget Proposals for 2018/19. This followed a series of budget scrutiny workshops which were held during January. There was a separate report from each of the committees which were attached as appendices to the report. These captured the issues raised and general feedback from the Overview and Scrutiny Committee Members at the workshop sessions.

As the report addressed the proposals for the 2018/19 budget, it related to all Wirral Plan pledges and all wards in the borough.

This report was not a Key Decision.

#### **RESOLVED:**

**That Cabinet will consider the content of these reports as part of its deliberations in developing its budget recommendation for Council.**

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## MINUTE EXTRACT - BUDGET CABINET

19 February 2018

83 COUNCIL BUDGET 2018/19



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

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

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

Councillors Phil Davies, Janette Williamson and Bernie Mooney introduced reports on the following budgetary matters:

- (A) Revenue Budget and Council Tax Levels 2018/19 (Councillor Davies) – that provided an update on the Medium Term Financial Strategy and Council Budget 2018/19 reported to Cabinet on 18 December 2017. It set out the background and the key elements contributing to the preparation of the Budget for 2018/19.
- (B) Treasury Management Strategy Statement (Councillor Williamson) – that provided the Authority’s treasury management activity as underpinned by CIPFA’s Code of Practice on Treasury Management (“the Code”), which required the production of annual Prudential Indicators and a Treasury Management Strategy Statement on likely financing and investment activity. The Code also recommended that Members were informed of treasury management activities at least twice a year. The report fulfilled the Authority’s legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Ministry for Housing, Communities and Local Government (MHCLG) Investment Guidance.
- (C) Capital Programme and Financing (Councillor Davies) – the report provided Cabinet with the draft Capital Programme 2018/21 for consideration and referral to Council for approval. It also included information regarding the revenue implications of the Programme and an update on the latest forecast for capital receipts. The 2018/21 Capital Programme represented a combination of schemes originally approved as part of the 2017/20 Programme, updated through the Capital Monitoring reports in 2017/18 and new bids for inclusion as detailed in the report.
- (D) Schools Budget and Formula Funding Changes 2018/19 (Councillor Mooney) – the report set out the Schools Budget for 2018/19 having been previously

considered by the Schools Forum at their meeting on 17 January 2018. The Schools Budget covered education provision for all Wirral Pupils aged up to 18 in Early Years, Primary, Secondary and academy schools and for some pupils up to the age of 25 in Special Schools and High Needs providers. The report informed that most budgets were delegated to schools with some central provision for support services including school admissions and High Needs. The report proposed a number of changes to the local funding formula for Schools to allow a transitional transfer to the National Funding Formula.

Councillor Phil Davies informed that the Council continued to face another year of challenge to its budget setting year arising from further cuts in funding imposed by the Government. This year's budget included huge pressures on the Council to generate additional revenue that meant that in addition to raising income through a variety of projects, the Council would be raising additional monies via the permitted Social Care precept and utilising the maximum permitted rise in Council Tax. Councillor Davies added that these decisions had been as a direct result of the huge pressures placed on Local Authorities by Government and that a radical overhaul was required. He informed that the Council would continue to provide input in relation to business rate retention that currently disadvantaged areas such as Wirral through the LGA 'fair funding review' consultation.

Councillor Davies thanked Cabinet Members and Officers of the Council for their hard work in dealing with the financial challenges faced over the past year and the 'perfect storm' that faced Social Care Services (Children's Services in particular) and added that the Council's commitment to this area was demonstrated by its investment of £20million into this area in particular.

Councillor Davies informed that the Council would remain committed to delivery of its 20 Wirral Plan Pledges and would continue in its aim to help grow the Wirral economy through the development of more investment, jobs, businesses and improved income for Wirral residents and workers. He further informed of those areas where the Council would continue to support and focus e.g. housing, improvements to the environment and street scene, the tackling of domestic abuse, improving income generation and supporting its staff - meeting his party values of fairness and social justice.

Cabinet Members each raised their own concerns about the continued financial pressures faced by Wirral from Government and the sustained attack since 2010 and significant reduction of funds since that time. Members commented that they were proud to have managed to retain front line services against the background of austerity and that careful planning would still be required in the future.

Councillor Bernie Mooney informed that the performance of Wirral schools continued to go from strength to strength and gave a commitment to the Wirral Plan to do all to continue to support Wirral schools and ensure that every child in the borough had the opportunity of a good education, and good career. She added the importance of ensuring schools had the resources in place to continue to improve and to provide young people with an excellent education was vital to the future of the borough.

Councillor Janette Williamson commented on the reduced levels of funding received from Government and informed of the vital importance of making sure the Council's finances were well managed, and ensuring commercial opportunities were maximised to support Council services over the longer term. In respect of the Treasury Management Report she added that the report provided the Council with a well thought through, appropriate strategy for managing public resources in the borough.

Councillor Phillip Brightmore endorsed the Leader's earlier statement that environmental matters remained a priority for the Council and informed the Cabinet of the Council's recent success in gaining an award that recognised the borough staff's performance with regard to waste collection.

Councillor George Davies commented on the difficult circumstances faced by the Council to maintaining services and his commitment to helping protect the vulnerable and how the greater than average number of properties (83%) fell into Council Tax Bands A, B and C impacting on the income generated to the borough. He added that this was not a problem for some local authorities in England whose historical housing stock valuations allowed lower Council Tax increases to generate significantly more income.

Councillor Stuart Whittingham stated that he was pleased that the Council was currently still in a position to invest in its infrastructure but was upset that Wirral, as a result of the economic circumstance placed upon it by Government, had to consider the expansion of areas of charged parking. He informed that he had done what he could to keep the fees at modest levels.

Councillor Matthew Patrick reaffirmed the need to protect the most vulnerable and investment in social care. He thanked residents for their response to the budget consultation and for their input and comments that demonstrated people's interest and positive support for the area.

Councillor Angela Davies stated her outrage at the level of cuts to local government funding, but stated that responsible use of capital receipts and the development of the transformation programme had, despite the cuts, made significant inroads to regeneration and the reformation of programmes in areas such as Health and Social Care.

Councillor Chris Jones echoed Councillor Davies' comments, adding that she wished to thank all those staff who worked in Adult Social Care who were managing to deal with unprecedented levels of demand on their service.

**RESOLVED: (unanimously)**

**That the following Budget Resolution be agreed and recommended to the Budget Council:**

## **BUDGET RESOLUTION 2018/19**

### **NATIONAL CONTEXT**

Each year, the Council assembles to agree its budget to provide the services it will offer to meet the needs of residents. Each year, the amount of money available in real terms to meet real needs gets smaller.

Since the Government chose the path of austerity in 2010, Wirral Council has been forced to implement more than a quarter of a billion pounds in reductions and cuts to its budget. The impact of austerity bites on the quality of life enjoyed by residents – pay freezes for public sector workers, changes to benefits and the clumsy roll out of Universal Credit, rising prices for energy and utilities and threats and fears about the future of the NHS, the needs of Wirral residents become more complex, more intense and more pronounced.

And each year, as we debate the budget, the members on the Conservative benches roll their eyes and shrug their shoulders, unmoved - and untouched - by the hardships of their national policies. They ignore the hard decisions this Council faces, braying and bellowing for the benefit of the crowd.

Elsewhere, more considered Tory voices are joining the rising tide of national concern.

Last year, bankrupt Tory controlled Surrey Council set a 15% Council Tax rise before being bailed out by the Government at the last moment to prevent the embarrassing scene of a Conservative Council setting illegal budgets to meet unrealistic Tory Government expectations.

This year, Tory controlled Northamptonshire County Council has effectively declared itself 'bust' – cancelling all spending on non-statutory services, unable to meet anything but the most basic needs of its residents.

But still – unmoved, the Tories press on with their austerity policies, oblivious and uncaring about the consequences of their policies on the lives of ordinary people.

Tory Home Secretary Amber Rudd was in meetings in this town hall the week before last – not with Councillors working to support the police, coastguard and fire service – but meeting with local Tory Councillors behind closed doors, plotting her leadership challenge no doubt.

The Tories' obsession with Austerity is rooted in their detachment from the lives of ordinary people. This budget will once again demonstrate that only a Labour administration will protect the services local residents rely upon, invest in the issues Wirral families care about and work with public sector and volunteer group partners to deliver them.

The Tories see the budget as spreadsheet management: A cut here, a reduction there, unconcerned by the real world consequences of these actions.

The Tories know the price of everything, but the value of nothing.

Labour Councillors continue to lead the campaign for the Government to treat local authorities fairly. This campaign was encouraged late last year when Secretary of State, Sajid Javid MP, appeared to buckle under pressure and suggest he was willing to revisit his flagship policy of removing the Revenue Support Grant, a policy in the opinion of this Cabinet, which would hit the young, the elderly and the most vulnerable the hardest. Whether this was political posturing, or an awakening to the reality of their failed policies, local authorities across the country await more details.

With the Government's long term plans or the impact of its Brexit policies unclear, uncertainty and worry surrounding the funding future of the police, fire service, the NHS and other public services, this Budget must again be prepared against a backdrop of difficult financial circumstances.

### **THE WIRRAL CHALLENGE**

Wirral is forced to reduce its spending, or generate more income, by more than £100 million by 2021. Our immediate challenge is to meet a £61 million funding shortfall for 2018/19.

As we have repeatedly warned, this is happening at a time of increased need - an ageing population, deprived communities with complex needs - and rising costs of the services and support which people rely on.

Cabinet believes these reductions to be unfair and unsustainable.

However, as residents know, we refuse to allow this Government to break the services our residents rely on. We will make these difficult decisions but will deliver the 20 Pledges we committed to in our Wirral Plan.

Our overall budget strategy of focussing on attracting additional revenue, transforming services and improving efficiency, will continue. This will be underpinned by our commitment to key Labour principles of fairness and social justice.

### **INVESTING IN SOCIAL CARE**

The challenges facing families and young people in Wirral are well known. The scale of this and our response has been at the very heart of the Council's policy and budget agenda this year. Already great progress is being made, a new leadership team, a complete review of our services and processes and an improvement plan that works with national experts and local care providers to ensure we meet the expectations we set ourselves when looking after our most vulnerable young residents.

We have to prioritise making these changes and improvements and are committing £20m investment in Children's and Families' services in 2018/19.

Locally, social care providers, charities and the NHS have united to call for more investment. The Government's response was to pass the problem on to council taxpayers. We have little choice other than to implement the Government's Care Tax levy, even while knowing this places the burden at the feet of those people least able to pay.

## **A COLLABORATIVE BUDGET**

Again, we remind residents we are here to work for them. We will never set a budget in isolation. Consultation, engagement, and conversations with residents will always underpin every decision we take. Almost 6,000 residents took the time to give us their views on our budget, our priorities and our plans and we pledge to use this valuable feedback as decisions are made.

Cabinet thanks Elected Members – of all parties – who took part in the comprehensive scrutiny process to look in detail at the budget proposals. The feedback from that process has been provided to Cabinet and has proved extremely helpful in making these decisions.

## **DELIVERING OUR PLEDGES**

Regardless of the scale of Conservative Government cuts to this Council's budget, as a Labour Administration our budget will be legal and sustainable, with social justice and fairness at its heart.

Our ethos as an Administration is underpinned by three core principles. These principles help inform our budget and makes sure we can deliver the savings imposed on us while still meeting our promises to Wirral residents.

- The vulnerable are safe and protected and we tackle inequality.
- Wirral is a place where employers want to invest and businesses thrive.
- We have an attractive and sustainable environment, where good health and an excellent quality of life is enjoyed by everyone who lives here.

## **GROWING OUR ECONOMY**

We are relentless in our drive to grow Wirral's economy. In the coming days we will announce our proposal for Wirral Growth Company, the UK's largest public-sector led regeneration programme. Attracting new investment to drive our £1bn growth deal, this joint venture ensures this Council retains control over our assets and benefits from the development of new homes, offices, leisure and retail schemes and accompanying job opportunities.

As part of our work on growing the economy, we will consider innovative approaches to ensuring that as many of the benefits of growth as possible are retained within Wirral. To this end, we are keen to look at models such as community wealth building.

## **INVESTING IN WIRRAL'S ENVIRONMENT, ROADS AND NEIGHBOURHOODS**

We will continue to invest in our local infrastructure and the communities we live in. In 2018/19 we are investing more than £7million in improvements. We are leveraging interest free loans and grants to invest £1.5million in LED street lighting – not only making our roads and neighbourhoods safer, but using technology to reduce the long term running costs. Our programme will see more than £2million invested to replace and repair street lamps across the borough and other improvements to traffic, cyclist and pedestrian infrastructure.

The Council's commitment to protecting our environment and tackling climate change will continue through adopting a zero-tolerance approach to environmental crime, such as littering and dog-fouling; growing the subscriber base of the garden waste scheme; and increasing energy efficiency. Cabinet is committed to Wirral Council remaining at the green cutting edge of environmental issues and will lead the City Region in efforts to phase out single use plastics, reduction of waste and encouraging recycling.

Wirral is also playing a major role in supporting the Metro Mayor in bringing forward transformational projects such as a tidal barrage on the River Mersey.

We will continue our policy of tackling rogue private sector landlords through extending the Selective Licensing Scheme. The Council will shortly also be making a number of announcements about investing in building significant numbers of new housing units on brownfield sites.

## **TACKLING DOMESTIC ABUSE**

Domestic abuse is on the increase across the UK and government cuts and loss of funding means that previously accessible support is no longer available. Adopting a zero tolerance approach to domestic abuse is one of our key pledges. In order to support this pledge, we will invest £5,000 in supporting the Friends of the Freedom Programme in their work in supporting people whose lives have been affected by domestic abuse.

## **CAR PARKING**

We also will introduce new car parking charges at certain coastal visitor locations. In New Brighton, while this does not include Marine Point and Fort Perch Rock, it does include the Derby Pool and Kings Parade. It would also include Leasowe Lighthouse and 'the Gunsite', North Parade between Hoylake and Meols and South Parade in West Kirby. The proposed charges would be £1 for an hour, £2 for all day and £20 for those who leave their vehicles parked overnight. Officers advise us that these tariffs are reasonable and acceptable for visitors to Wirral's coastal attractions, in many cases cheaper and more favourable than charges in Liverpool, Chester and at other local attractions.

## **REWARDING AND PROTECTING OUR STAFF**

Our staff are our most important resource. As national austerity policies continue to hit the most vulnerable hardest, it is important we recognise the role council staff

play in keeping our front line services operating and supporting people every day. These services have seen their workforce reduced, demand increase and have also seen pay frozen.

It is important that we do all we can to put this right, and that is why I am proud to announce that – alongside and in addition to the national pay award of 2% which we have already included in the budget, we will include a further 1% rise for our employees, which will bring us back in line with the national pay scale. This will be funded from more efficient ways of working that will include release of vacancies and headcount reduction, which will be met by voluntary redundancy wherever possible.

This Administration is committed strongly to good working practices. To that end, we will continue to work constructively with our trade unions.

## **SENIOR MANAGEMENT STAFFING CUTS**

As we make tough decisions on how to balance the budget, we must also look at efficiencies we can make in how we deliver services. As the Council continues to invest in technology and to make transformational changes to how it operates, it is right that we look to make savings amongst our most senior staff and management. The budget this year sees us reduce the cost of management by £750,000 as we make changes to how the Council works.

## **CONCLUSION**

In summary, this is a balanced budget built around our shared values. It supports the important work being done to deliver services our residents rely on. It invests in our economy, makes improvements to our environment and shares the burden fairly between all those who can afford to contribute and those who enjoy the services Wirral offers.

This is a budget, against a harsh Conservative Austerity agenda, our Labour Council can be proud of.

## **RECOMMENDATIONS**

- 1 Cabinet, having had regard to the responses to the proposals announced at the 18 December 2017 meeting recommends to Budget Council for approval:

### **Revenue Budget (Agenda Item 6)**

- a) The Proposals for 2018/19 as set out at Appendix 2.
- b) The Growth for 2018/19 as set out in sections 3.21 to 3.34 of this report.
- c) The payment of an additional 1% pay award to staff as included within my resolution that will be fully funded by more efficient ways of working. This will result in a total pay increase of 3% in 2018/19.



- d) Approve a one-off revenue contribution to be repaid of £1.3m to the Liverpool City Region Mayoral Combined Authority to support the Single Investment Fund in 2018/19.
- e) The fees and charges, as in Appendix 3, with delegated authority being:
  - i) given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2018.
  - ii) given to the relevant Director in consultation with the relevant Portfolio Holder and Section 151 Officer to vary existing fees and charges.
  - iii) Approval of the Pricing and Charging Policy as set out in Annex 1.
- f) The level of General Fund Balances being recommended, as set out in Appendix 4, continuing to be based on a locally determined approach based on an assessment of the financial risks that the Council may face in the future and that the Council maintains balances at, or above, this level.
- g) The release of reserves, as set out in Appendix 5, to General Fund Balances to support the Revenue Budget.
- h) The Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 6.

#### Treasury Management Strategy Statement 2018/21 (Agenda Item 6B)

The Treasury Management Strategy 2018/21 including:

- a) The Treasury Management and Investment Strategy for 2018/2021.
- b) The adoption of the Prudential Indicators.
- c) The approval of the Council's Minimum Revenue Provision policy.
- a) That the Council Officers listed in Annex G to approve payments from the Council's bank account for all treasury management activities.

#### Capital Programme and Financing (Agenda Item 6C)

1. That Cabinet agree and recommend to Full Council the Capital Strategy 2018/21 (Appendix1) including the Flexible Use of Capital Receipts Strategy 2018/19 (Annex 2).
2. That the new bids as detailed in the first section of Appendix 3 totalling £19.7 million be approved for inclusion in the Capital Programme. This includes a sum of £0.7 million relating to additional project risk contingency

in relation to the Dock bridges replacement scheme as detailed in paragraph 3.15 b.

3. That the bids totalling £3.7 million relating to the Leisure and Cultural Services Review (Appendix 3) are included in the programme for 2018/19 but are deferred to a later commencement date, on an individual basis, in recognition of an ongoing review.
4. That the bids totalling £4.6 million referred to the Council's Technical Design Authority (TDA) (Appendix 3) be included in the programme if they are approved by the TDA.
5. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority.
6. That Cabinet recommend to Council for approval the Capital Programme 2018/21 (as detailed in Appendix 4).
7. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangements.

#### Schools Budget (Agenda Item 6D)

The Schools Budget of £259,158,600 having taken account of the views and formula proposals from the Schools Forum:

- i) That a Minimum Funding Guarantee of 0% for Wirral schools in 2018-19 is approved to provide additional protection and stability in funding, and to ensure that no school can lose pupil funding unless there is a reduction in pupil numbers.
- ii) That the continuing Contributions to Combined Budgets should be £875,600 in 2018-19.
- iii) That any remaining uncommitted Dedicated Schools Grant (DSG) reserves remaining at the end of 2017-18 are used as a contingency to support High Needs pressures in future years.
- iv) There should there be a 0.5% top slice from the Schools Budget to support the outcome of the High Needs review.
- v) That the schools funding formula should be a transition formula introducing some elements of the National Funding Formula.
- vi) Headroom should be allocated evenly over all formula elements.
- vii) PFI within the schools funding formula should be increased in line with the contract inflation provision.

- viii) The unit value of the Looked After Children (LAC) element within the funding formula is reduced to take account of the increase in LAC Pupil Premium.
  - ix) The following place changes are agreed from September 2018:
    - Birkenhead 6th Form College reduce by 8 places to 57
    - Wirral Met College to increase by 2 places to 119
  - x) The base rate element of the Early Years funding formula is increased to pass an extra 2% of grant funding on to providers.
  - xi) The SEN Support is redesigned including a traded service for some Hearing and Vision support in schools.
  - xii) The Early Years funding formula is retained in its current format.  
The Cabinet in making these recommendations has had regard to the Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves.
- 2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2018/19 and that :
- a) For Wirral Council Services the Council Tax be increased by 5.99% for 2018/19 which includes the Adult Social Care Precept of 3%.
  - b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.

### **The Statutory Calculations and Resolution**

It be noted that in accordance with Section 31B of the Local Government Finance Act 1992 (as amended), that Cabinet on 18 December 2017 calculated the Council Tax Base 2018/19 for the whole of the properties in its area as 92,255.9 for 2018/19 (Item T in the statutory formula).

That the following amounts be calculated and approved by the Council for the year 2018/19 in accordance with Sections 32-36 of the Local Government Finance Act 1992 (as amended) (“the Act”);

- a) £136,464,000 being the amount calculated in accordance with Section 31A (4) of the Act (amended) as the Council Tax Requirement for 2018/19 (item R in the statutory formula). This amount (D) is determined as being the difference between:
  - i) £844,568,000 this being the aggregate of the amounts calculated in accordance with Section 31A (2) of the Act (as amended), i.e. the aggregate of the amounts that the Council estimates that will be charged to a revenue account for the year in performing its functions, that are required to be set aside for contingencies and reserves and required to be transferred from its General Fund to its Collection Fund in the year and

- ii) £708,104,000 this being the amount calculated in accordance with Section 31A (3) of the Act (as amended), i.e. the aggregate of the amounts of income that the Council estimates will be credited to a revenue account for the year in accordance with proper practices, the amount of reserves that are estimated to be used to provide for the items referred to in paragraph (a) above, and required to be transferred from its Collection Fund to its General Fund in the year.
- b) £1,479.19 being the amount calculated in accordance with Section 31B (1) of the Act (amended) as the Basic Amount of Council Tax for 2018/19. This amount being calculated as item R divided by item T (as above).
- c) That in accordance with section 36(1) of the Act that the following amounts are calculated for each valuation band in the area:

### **Wirral – Basic Amount of Council Tax per Valuation Band**

#### **2018/19**

A	B	C	D
£986.13	£1,150.48	£1,314.84	£1,479.19
E	F	G	H
£1,807.89	£2,136.60	£2,465.32	£2,958.38

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

It be determined that the amount set in (c) above as the Council's Basic Amount of Council Tax for 2018/19 is not excessive in accordance with the principles determined by the Secretary of State under section 52ZC of the Act (as amended) and that no Referendum to approve the Basic Amount of Council Tax is required. The principles require a Referendum to be held for any increases of 6% or above for those authorities with Adult Social Care responsibilities.

### **Wirral – Basic Amount of Council Tax Comparison for Referendum**

#### **2018/19**

	2017/18	2018/19	Change	Change
	£	£	£	%
Band D	1,395.59	1,479.19	83.60	5.99

To note that the Police and Crime Commissioner for Merseyside and the Merseyside Fire and Rescue Service issue precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for

each category of dwellings in the Council's area. This will be as indicated in the tables which when received will be included in updated tables to Council.

**Police and Crime Commissioner for Merseyside (figures awaited)**

A	B	C	D
E	F	G	H

**Merseyside Fire and Rescue Authority (figures awaited)**

A	B	C	D
E	F	G	H

That having calculated the amounts for Wirral together with the Police and Fire the Council in accordance with Section 30 (2) of the Act hereby sets the following amounts as the total amount of Council Tax for the year 2017/18 for each of the categories of dwellings.

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

A	B	C	D
E	F	G	H

## WIRRAL COUNCIL REVENUE BUDGET 2018/19

<b>Forecast Income</b>	<b>Budget 2018/19</b>
<b>Council Tax</b>	127.43
- Housing	1.10
- Increase 2.99%	4.00
- Adult Social Care Precept of 3%	3.90
<b>Business Rates</b>	126.24
- Loss of Business Rates Top Up (Due to RSG rolled in)	-7.00
- Improved Better Care Fund Rolled in	12.00
- Business Rates Base increase	4.20
- Business Rates Inflation	1.00
<b>New Homes Bonus</b>	1.56
<b>Capital Receipts to fund another year of transformation</b>	10.00
<b>One-off use of Balances, Reserves &amp; Collection Fund</b>	16.08
<b>Total Funding</b>	300.52

<b>Forecast Operating Structure Expenditure</b>	<b>Budget 2018/19</b>
Business Services	77.01
Corporate Resources & Reform	1.52
Strategy and Partnerships	58.60
Children's Services	84.63
Adult Social Care	78.76
<b>Total Forecast Expenditure</b>	300.52

<b>Forecast Theme/Portfolio Expenditure</b>		<b>Budget 2018/19</b>
<b>People</b>	Adult Social Care and Health	89.76
	Children & Families	92.80
<b>Environment</b>	Environment	46.20
	Housing and Community Safety	22.12
	Localism and Engagement	1.20
<b>Business</b>	Finance and Income Generation	8.06
	Highways and Transport	33.01
	Leadership	2.18
	Transformation	5.19
<b>Total Forecast Expenditure</b>		300.52



**COUNCILLOR PHIL DAVIES**

**CABINET**  
**19 FEBRUARY 2018**  
**REVENUE BUDGET AND**  
**COUNCIL TAX LEVELS 2018/19**

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

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

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

**REPORT SUMMARY**

The report provides an update on the Medium Term Financial Strategy and Council Budget 2018/19 reported to Cabinet on 18 December 2017. It sets out the background and the key elements contributing to the preparation of the Budget for 2018/19.

The Council continues to face financial constraints and pressures. The medium term financial planning period to 2023 will see continued grant funding reductions and increasing financial pressures. Aligned to this the Council will in 2020 assume full responsibility for the raising and collection of income generated locally and used to fund the services accessed by Wirral residents. This report sets out how the Council will balance the budget for 2018/19 and details how the Medium Term Financial Strategy (MTFS) for the Council will be reset for the period up to 2023. The aim of the MTFS will be to establish a sustainable financial position for the period through the development of Outcomes Based Budgeting for the 2019/20 budget and the period to 2020/21-2022/23.

Cabinet has to recommend a 2018/19 Budget proposal to Council on 5 March 2018. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2018. This is in order to formally set the Revenue Budget and Council Tax for the 2018/19 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2018/19 by 10 March 2018.

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

## **RECOMMENDATIONS**

- 1 Cabinet recommends to Budget Council a Budget proposal for 2018/19 based upon:-
  - a) The Proposals for 2018/19 as set out at Appendix 2.
  - b) The Growth for 2018/19 as set out in sections 3.21 to 3.34 of this report.
  - c) Approve a one-off revenue contribution to be repaid of £1.3m to the Liverpool City Region Mayoral Combined Authority to support the Single Investment Fund in 2018/19.
  - d) The fees and charges, as in Appendix 3, with delegated authority being:-
    - i) given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2018.
    - ii) given to the relevant Director in consultation with the relevant Portfolio Holder and Section 151 Officer to vary existing fees and charges.
    - iii) Approval of the Pricing and Charging Policy as set out in Annex 1.
  - e) The level of General Fund Balances being recommended, as set out in Appendix 4, continuing to be based on a locally determined approach based on an assessment of the financial risks that the Council may face in the future and that the Council maintains balances at, or above, this level.
  - f) The release of reserves, as set out in Appendix 5, to General Fund Balances to support the Revenue Budget.
  - g) The Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 6.



- 2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2018/19 and that :-
- a) For Wirral Council Services the Council Tax be increased by 5.99% for 2018/19 which includes the Adult Social Care Precept of 3%.
  - b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 Cabinet is required to recommend a Budget to Council on 5 March 2018. The issues detailed in this report support the recommendations which all contribute to enabling Cabinet to be in a position to recommend a Budget proposal.
- 1.2 Section 25 of the Local Government Act 2003, requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.
- 1.3 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires that a recorded vote, detailing the names of all Councillors voting and how they voted, be taken in respect of all votes involved in setting the Budget and Council Tax levels.
- 1.4 The Police & Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Service issue a precept on the Council to be paid through the Council Tax.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The Budget position collated in this report represents the result of a wide range of available options, based upon detailed and assessed assumptions, to produce a robust Budget. Cabinet could consider alternative budget proposals or choose to implement on a different timescale. This could present a risk to our ability to set a balanced budget for 2018/19 and increase the financial risks faced through the slippage of proposals.

### **3.0 BACKGROUND INFORMATION**

#### **THE WIRRAL PLAN**

- 3.1 This report lays out the Budget for 2018/19 and supports the delivery of the Wirral Plan approved in July 2015. The plan provides a clear ambition for the area based on three overarching priority areas:-

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

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

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

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

### **THE BUDGET STRATEGY 2018/19**

- 3.3 The current MTFs covering 2017/18-2020/21 was approved by Council in March 2017. This detailed the financial challenge and the size of the anticipated remaining funding gap. It also contained a balanced 4 Year Plan through the implementation of new approaches to service delivery, delivering differently and the generation of income. The Council faces a funding shortfall over the period. The planned ending of the Revenue Support Grant and the acceptance of the four year offer has led to the adoption of a planned and proactive approach to the challenges. A number of decisions will need to be made to successfully deliver the Wirral Plan and MTFs whilst meeting statutory responsibilities.
- 3.4 The Budget for 2018/19 has been developed within the context of the current MTFs and the Wirral Delivery Plan. Due to the approval of current MTFs the Council was able to set a balanced budget for 2017/18 which incorporated funding from reserves and is well placed to set a balanced budget for 2018/19, dependant on council tax decisions and the delivery of the financial proposals discussed in this report. It is clear that in the medium term planning period a budget gap will continue as financial pressures continue and central government grant support reduces.
- 3.5 The table below contains the budget projections for 2018/19, as presented in December 2017. The total revised budget deficit for 2018/19, incorporating £25 million investment in Children’s Services, is projected to be £61 million.

### **Financial Projections 2018/19**

<b>FINANCIAL PROJECTIONS</b>	<b>2018/19 £m</b>	
Annual Budget Gap (MTFS Feb 2017)	25	
Add : Children’s Services	25	
Add : Transformation	5	
Add : Other Amendments	-3	52
Add : One-Offs used in the previous year		+9
<b>Budget Gap</b>		<b>61</b>

## CABINET PROPOSALS 2018/19

- 3.6 Cabinet on 18 December 2017 considered £6 million of budget reductions and proposals for 2018/19. The MTFS 2017/18-20/21 agreed £22 million of indicative proposals for the year. The proposals and use of balances aim to secure financial stability through the setting of balanced budgets each year.

The impact of the new financial pressures for 2017/18 means that the Council is facing a budget gap in 2018/19 that will be, in part, offset through the use of one-off, short term funding. The position at December 2017 is summarised below:

### Overall Financial Projections 2018/19

PROJECTION	18-19 £m
BUDGET GAP	52
Add : One-Offs used in the previous year	9
BUDGET GAP	61
Less Agreed Proposals (February 2017)	22
BUDGET GAP	39
Capital Receipts to fund another year of transformation	10
one-off use of Balances, Reserves & Collection Fund	12
REVISED BUDGET GAP	17
New Savings / Income Proposals December 2017	6
<b>REVISED BUDGET GAP</b>	<b>11</b>

- 3.7 The annual budget has developed from the MTFS agreed in March which has been revised to reflect the financial realities faced and the requirement to fund the pressures that are present in 2017/18 and 2018/19. To accommodate an increase in the gap forecast from that set in the MTFS has meant that the budget process for the coming year has had to look for greater financial proposals than was originally envisaged in March this year and considerably later in the process than would normally have occurred.
- 3.8 The Budget Strategy that has driven the development of budget proposals has again been through the overarching themes of Delivering Differently, Income and Resources and Service Changes. The budget process and the development of new financial proposals have been through the Wirral Plan portfolios.
- 3.9 Cabinet in December authorised Officers to undertake any required consultation and engagement with residents, partners and other stakeholders as required. The outcome of the consultation can be found at Appendix 1. The views of the Overview and Scrutiny Workshops are reported on this agenda.

- 3.10 The schedule of all the revised savings proposals for 2018/19 are detailed in Appendix 2.
- 3.11 Whilst the focus for the Budget 2018/19 process has been on fixing the immediate pressures presented in the current financial year, the Council is investing in its longer term financial stability. While revenue resources are challenged with investment focused on Children's Services for 2018/19, the Council is utilising its capital resources, including assets, to invest for the future and build income sources to support services. This is through initiatives such as the Wirral Growth Company, the capital programme and transformational programmes.

#### **PROGRESS SINCE THE PROJECTIONS AT 18 DECEMBER 2017**

- 3.12 This Budget 2018/19 and Medium Term Financial Strategy Report presented to Cabinet on 18 December 2017 included proposed savings. This report provides an update incorporating the impact of subsequent changes including the Local Government Finance Settlement.
- 3.13 The Local Government Finance Settlement the Government set out projected funding levels up to 2019/20 and confirmed the Revenue Support Grant would be reduced and phased out by 2020 preceding the proposed 100% retention of Business Rates post-2020. The announcement confirmed the reductions announced as part of the 2016/17 Settlement being based on the Council submitting an Efficiency Plan and accepting the four year Offer.
- 3.14 As referred to in the December 2017 report, information relating to 2018/19 was awaited and some still remains outstanding which is also the case for future years. This report focuses on the Budget for 2018/19.

- 3.15 The changes to the financial projections and budget proposals considered by Cabinet on 18 December 2017 are as follows:-

#### Updated Budget Proposals and Budget Gap

<b>PROJECTION</b>	<b>18/19 £m</b>
<b>Annual Budget Gap</b>	
Pay- increase of £2m based on offered pay rise.	+2.0
Capital Financing costs – reduction of £1m based on proposed bids.	-1.0
Waste and Transport Levies- reduction of £1m based on anticipated levy due to be agreed in early February.	-1.0
LCR Contribution 2018/19 (repayable) supported by reserve funding	+1.3 -1.3
<b>New Savings / Income Proposals December 2017</b>	
Business Rates – increase in anticipated income due to base and inflation changes.	-0.7
General Council Tax increase to 2.99% rather than 1.99%	-1.3
Children’s Services- Demand and Service Management through prevention	-5.2
<b>one-off use of Balances, Reserves &amp; Collection Fund</b>	
Earmarked Reserves and Collection Fund Surplus Review has resulted in one-off resources being available.	-4.0

- 3.16 The updated position below assumes that all the savings included in the December 2017 Cabinet report will be implemented. The overall change is an increase of £4.0 million in the amount of one off funding that will be required to support the 2018/19 Budget to £26 million. This level of use of one off funding means that there will be an ongoing need to find this from the revenue budget in 2019/20 i.e. the ongoing annual identification of financial proposals including income or non-recurrent cost of £26 million. Work is currently ongoing to invest in the area to develop new future income and regeneration. Income from the Wirral Growth Company will be realised but timing and details will not be known until 2018.

## Summary of Proposed Savings at February 2018

### Operating Structure

	18-19 £m
Business Services	0.87
Corporate Resources & Reform	25.60
Strategy & Partnerships	1.00
Adult Social Care	2.70
Children's Services	5.20
<b>Total</b>	<b>35.37</b>

### Wirral Plan Themes

Theme	Portfolio	18-19 £m
People	Health & Care	2.70
	Children & Family	5.20
Environment	Environment	0.58
	Housing & Community Safety	0.14
	Localism & Engagement	0.09
Business	Finance & Income	26.20
	Highways & Transport	0.46
<b>Total</b>		<b>35.37</b>

### Overall Financial Projections 2018/19

PROJECTION	December 2017 18-19 £m	February 2018 18-19 £m
BUDGET GAP	52	52
Add : One-Offs used in the previous year	9	9
BUDGET GAP	61	61
Less Agreed Proposals (February 2017)	22	22
BUDGET GAP	39	39
Capital Receipts to fund another year of transformation	10	10
one-off use of Balances, Reserves & Collection Fund	12	16
REVISED BUDGET GAP	17	13
New Savings / Income Proposals December 2017	6	13
<b>REVISED BUDGET GAP</b>	<b>11</b>	<b>0</b>

- 3.17 The 2018/19 Budget process included a review of the issues identified from the 2017/18 monitoring. The financial pressures faced in both Children's and Adult Social Care Services affect all local authorities with a shortfall highlighted by the Local Government Association as being in the order of £2.6 billion.

Adult Social Care – There is a persistent growth in demand and the Council is working with the Health sector to find sustainable solutions. The Adult Social Care Precept and Improved Better Care Funding and the Transformation Programme Integration with Health project assist in meeting the financial pressures faced.

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

To ensure stability in these areas growth has been built into the 2018/19 budget in these service areas.

- 3.18 The degree and scale of change to deliver savings over the next four years will be considerable especially at the same time as delivering services. A high proportion of savings over recent years have been delivered. It is currently anticipated that the majority of those proposed for 2018/19 will be delivered. Their development has been through a number of processes. This has included examination and scrutiny by Members and Officers and an assessment of the likelihood of deliverability. The Section 151 Officer has also reviewed the 2018/19 Budget assumptions and the level of reserves required. The process sought to ensure the Budget is deliverable taking account of potential risks that can be quantified.
- 3.19 In addition to this assessment of 2018/19 proposals specific assurances are obtained on the deliverability of savings from the relevant officers. Effective budget management and planning are the responsibility of the whole organisation which goes beyond the Section 151 Officer.
- 3.20 Progress on delivery will be monitored through the Financial Monitoring arrangements already in place which have been strengthened in respect of accountability with proposals assigned to Strategic Leadership Team members to ensure detailed delivery plans are in place and implemented.

## **GROWTH**

- 3.21 The Budget Projections for 2018/19 include an assessment of growth of £47 million arising from investment in services, inflation and other changes. The Council’s main areas of investment are Children’s Services (£25 million) and Transformation (£5 million). In 2018/19 budget growth is also proposed for demographic changes, inflationary rises and other financial pressures. All potential growth areas were reviewed by internal challenge as to their validity and justification. This includes items of a corporate nature held as a central liability such as future pay awards.



## **INVESTMENT IN SERVICES TO MEET DEMAND PRESSURES AND TRANSFORMATION**

3.22 Service and financial pressures emerged towards the end of 2016/17 in relation to the Social Care of Children and Adults and have continued in 2017/18. The main area of pressure is Children's Services, where resources in 2017/18 have increased by £15m being originally planned as one-off support for 2017/18. Projections are for an overspend of £3.8m (with further £1m for Legal Services costs) for the service this year.

3.23 The position reflects in part the national picture with children's social care coming under unprecedented levels of demand across the Country. It is understood that 75% of children's social care departments are overspending with an estimated 90 children a day being taken into care. Wirral currently has its highest ever level of looked after children increasing by 150 in the past year. The projections are that this will increase in future years to potentially over 900 children. This has put the current budget for 2017/18 under strain and unless action is taken this will continue into future financial years. In revising the MTFs and budget for 2018/19, investment will be included for Children's Social Care with an additional £25 million planned for the service. This will be focused on:-

- New and permanent social workers to reduce the use of agency staff;
- Investing in early help and intervention services to be more able to work with families earlier before they need more extensive interventions;
- Increasing the safeguarding capacity;
- Funding the increased cost of placements for children in care including legal fees, transport and youth provision.

The service is undergoing a significant period of transformation and this investment is needed to deliver a more efficient and sustainable children's service in the future with fewer children in care. The aim is to reconfigure services to provide effective support to Wirral children, services that are appropriate, moving to an early intervention and prevention approach, with fewer Children having to experience being placed in care in the future years.

The proposed budget anticipates that these changes will begin in 2018/19 and the financial affect of this is forecast to be £5.2 million.

3.24 The MTFs has delivered a range of innovative changes as well as generating increased income. However the increase in the gap now presented by the pressures in social care means that a new strategy and framework for future budgets is required. If the Council is to achieve the required future budget reductions while continuing to invest in services including regeneration for the people of Wirral, further service transformation and investment in the re-development of the area to produce income is needed. To take this forward, additional resources of £5 million are needed for 2018/19. This will be used to progress initiatives such as the Growth Company, rationalisation of assets, the integration of health and social care and the digital strategy.

- 3.25 A number of assumptions have been made in growth to cover demand led pressure within Adult Social Care. The former mitigated by the increased funding from the Adult Social Care Grant and the phasing of the Adult Social Care Precept. Increases in the National Living Wage will impact upon a number of organisations that provide care and who are contracted to carry out functions on behalf of the Council. An amount has been included in projections to fund the increase in costs expected as a result of announced rises from April 2018.

### **PAY AND PENSIONS**

- 3.26 Pay inflation was originally set at 1% per year, in line with government plans. Since then, Central Government has relaxed the pay restraint requirements. The latest Pay offer from the Local Government Employers (LGE) organisation indicates an average 2.8% increase in 2018/19, which takes account of higher percentage award to lower grades to reflect the increases in the living wage. For 2019/20 the pay award would average 3.8%, reflecting Wirral moving to the new National Spinal Column Points being suggested for the LGE.

#### **Pay Costs**

Description	2018/19
	£m
Original Budget Assumption	1.1
<b>Revised Assumptions</b>	<b>3.1</b>
Increase in Budget Gap	2.0

- 3.27 The Merseyside Pension Fund was subject to the triennial valuation in 2016. The actuarial assessment determines both the Contribution Rates for Employers and the Deficit Recovery Payments for the financial years 2017/18 to 2019/20. Contribution rates have been set at 13.6% for 2017/18 (no increase on the rate for 2016/17), 14.6% for 2018/19 and 15.6% for 2019/20. The amount paid will be based upon payroll costs and numbers employed so will vary with changes in the workforce.

#### **Pension Costs**

Description	2018/19
	£m
Budget Assumption	9.8
Revised Deficit Recovery	9.4
Deficit Recovery 2017/18-2019/20 Annual Change	-0.4
Revised Contributions	1.0
Total Change in Costs	0.6

- 3.28 Inflation has been incorporated for contract inflation with no provision being made for general price increases. This approach has been adopted in the budget for a number of years and means that general inflationary pressures will need to be accommodated within existing budgets.

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

- 3.29 There is a statutory requirement to agree the levies for 2018/19 before 14 February 2018 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.
- 3.30 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 2 February 2018. In overall terms the Transport Levy reduces by 9.5% due to reductions in operating costs, use of alternative financing and the use of balances held by Merseytravel. The Wirral Levy for 2018/19 reduces by £0.1 million and is factored in to a revision to the financial position.
- 3.31 The Merseyside Recycling & Waste Authority met on 2 February 2018 and agreed the Waste Levy for 2018/19. This required the use of balances in order to mitigate a 0% increase in the levy for the coming year. It is anticipated that the increase for 2018/19 will be in the order of 11.5%. The finalisation of the amount for 2018/19 is factored in to a revision to the financial position and has resulted in an improvement of £1 million.
- 3.32 The Waste Authority released the Waste Development Fund to constituent authorities during 2014/15. The use of this 'one-off' resource is subject to compliance with conditions set out in a Memorandum of Understanding. The Council Budget includes the release of £1 million to support waste service provision in 2018/19.
- 3.33 In order to support the 2018/19 transitional Mayoral requirements of the Liverpool City Region Combined Authority, the six constituent councils will make revenue contributions totalling £6.2m into the Single Investment Fund, of which Wirral's contribution will be £1.3m. This is an investment in the future of the City Region and a demonstration of each Council's commitment to the Single Investment Fund. Through this approach it is anticipated that each of the constituent Councils in the City Region will benefit from a repayment of this sum and future economic returns arising directly and indirectly from the application of the Single Investment Fund. It is proposed to fund the 2018/19 contribution from the Business Rates equalisation reserve.

### 3.34 **Summary of the Growth**

	2018/19
By Change	£m
Children's Social Care	25
Transformation	5
Adult Social Care	
Inflation and pay awards	6
Investment in Services for increased demands	6
Other (levy, grant changes)	10
Revised Growth	52

### **FEES AND CHARGES**

- 3.35 With Business Rates to be retained locally from 2020 and the phasing out of the main Government Revenue Support Grant, income generation assumes even greater importance. The Council continues to look at income opportunities having regard to the level of risk and linkages to the priorities as set out in the Wirral Plan and in the underpinning Growth, Treasury Management and Asset Management Strategies. Within the range of income sources is also that received through fees and charges.
- 3.36 Within the Growth Strategy are the areas of developing and expanding business growth which brings economic benefits to Wirral as well as additional income from Business Rates and from increasing the housing stock on Wirral with this generating additional Council Tax income.
- 3.37 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held (be it through Government Grants received in advance of the need to spend or sums held in balances to meet unplanned spending or reserves required to meet future spend) in areas to generate an income having regard to the risks associated with investment. Also the minimising of borrowing costs (through the use of internal funds to defer the need to borrow).
- 3.38 All fees and charges, including concessions, are reviewed as part of the Annual Budget setting process and a Directory of Council Fees and Charges is maintained on the Council web-site.
- 3.39 Directorates have examined their fees and charges and set them according to the circumstance of their services. No general inflationary increase has been applied. Any changes, including new charges and those linked to an agreed saving, have been incorporated into the Directory with changes in income targets reflected in the 2018/19 Budget. Appendix 3 provides detail.
- 3.40 Cabinet is asked to note the directory and give Delegated Authority to the Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2018.

- 3.41 Cabinet is also asked to agree to give delegated authority to the Portfolio Holder in consultation with the relevant Director and Section 151 Officer to vary existing fees and charges.

### **COUNCIL TAX**

- 3.42 Cabinet on 18 December 2017 agreed the Council Tax Base for use in 2018/19. The number of properties are adjusted for the Local Council Tax Support Scheme and other Council Tax Discounts, Exemptions and Disabled Relief and then converted to a Band D figure and then by the Collection Rate to give the Council Tax-Base.

#### **Wirral Council Tax Band D calculation 2018/19**

<b>Band</b>	<b>Properties 2017</b>	<b>Changes due to C Tax Support, discounts, exemptions</b>	<b>Revised property equivalent</b>	<b>Ratio to Band D</b>	<b>Net Band D equivalent</b>
A	60,161	-25,267.2	34,893.8	6/9	23,262.5
B	32,323	-7,388.5	24,934.5	7/9	19,393.5
C	27,326	-4,114.9	23,211.1	8/9	20,632.1
D	13,347	-1,468.4	11,878.6	9/9	11,878.6
E	8,165	-701.0	7,464	11/9	9,122.7
F	4,278	-325.0	3,953.0	13/9	5,709.9
G	3,120	-201.8	2,918.2	15/9	4,863.6
H	262	-38.0	224.0	18/9	448.0
Band A Disabled (1/9 <sup>th</sup> of Band A)		79.2	79.2	5/9	44.0
<b>Total</b>	<b>148,982</b>	<b>39,425.6</b>	<b>109,556.4</b>		<b>95,354.9</b>
Collection Rate					x 96.75%
Adjusted Council Tax-Base					92,255.9

- 3.43 The increase in the Council Tax-Base from 2017/18 to 2018/19 will result in increased Council Tax income of approximately £1.5 million in 2018/19. Wirral's share of the precept after the non-collection allowance is applied will be £1.3 million. This amount has been reflected in the 2018/19 Budget.

3.44 Cabinet in December 2017 announced that the assumption was that General Council Tax levels would be increased by 1.99% and the 3% Adult Social Care Precept subject to the Settlement. The Government subsequently announced as part of the local government finance settlement that General Council Tax could increase by 2.99%. The Referendum threshold for general Council Tax increases was revised in the Local Government Finance Settlement to 3% from 2% for 2017/18. The calculation of the Referendum ‘trigger’ amount is a comparison between overall Band D levels for 2017/18 and 2018/19 (includes levies). Also confirmed was that the Adult Social Care Precept will be allowed to increase by 3% in 2018/19 and in 2019/19 on condition that the total increase 2017/18 to 2019/20 does not exceed 6% over the three years. For Wirral the 3% increase planned for 2018/19 will be the last year with no increase allowed under the current rules.

3.45 The decision on the level of Council Tax is made by Council in March. The current proposals containing for 2018/19 assume that general Council Tax will increase by 2.99% and the Adult Social Care Precept by 3%.

#### **Council Tax Options 2018/19**

Options	£m
Tax Rise of 2.99% for Council Services	4.0
Tax Rise of 3% for Adult Social Care	3.9
Tax Rise of 5.99% being below the Referendum Level	7.9

#### **SETTING THE COUNCIL TAX LEVELS**

3.46 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council has to calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2018/19 is not excessive meaning that a Referendum is not necessary.

3.47 The Statutory Calculations are to form part of the Cabinet recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2018/19 with that for 2017/18 for the Council’s basic amount of Council Tax. The Local Finance Settlement 2018/19 sets the Referendum ‘trigger’ at 5.99% for Adult Social Care authorities with 3% being for Adult Social Care.

- 3.48 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2017/18.

### **BUSINESS RATES**

- 3.49 Business Rates are payable by businesses based on the rateable value of the premises they occupy, which is calculated according to how much rent the premises would achieve if rented out. Valuations are carried out by the Valuation Office Agency on a five year cycle; the latest valuation list will apply from 2017. The Council is responsible for calculating actual rates bills and for collecting rates and use the rateable value in working out how much a business will have to pay. The actual rates bill is calculated by applying the rate multiplier (a rate in the pound) to the rateable value and then deducting any reliefs that are applicable.
- 3.50 From 2020 councils will retain all Business Rates as General Government funding of local government will cease with the ending of Revenue Support Grant. Differences in the ability to raise funding from local taxation and the need to fund services in a local area are being addressed by a series of working groups by the Department for Communities and Local Government and the Local Government Association. Wirral along with other Councils in the Liverpool City Region are participating in a pilot of the 100% retention of Business Rates from 2017/18. Wirral, and the other councils in the region, will cease to receive any Revenue Support Grant from central government in 2017/18 with the loss of grant being compensated by the retention of Business Rates raised in 2017/18 plus a Rates Top Up grant to ensure that there is no detriment to Wirral's funding resulting from the pilot scheme.
- 3.51 Whilst presenting opportunities, the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. The amount received may fluctuate due to a number of reasons including:
- Appeals against rating decisions. Dealt with by the Valuation Office Agency and can be large and backdated a number of years.
  - Changes in liability relating to changes in occupancy.
  - Changes in building use.
  - Alterations to buildings size and layout.
  - Demolitions and new builds.
  - Actions to avoid full liability including empty property / charitable reliefs.
  - Assessment of bad and doubtful debts.

- 3.52 Business Rates are managed through the Collection Fund with any surplus / deficit in 2017/18 being allocated to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2017/18 financial year together with a forecast for 2018/19 had to be submitted to the Government by 31 January 2018. The forecast Business Rates income for 2017/18 shows that the receipts to the Council will increase by £5.3 million from the 2017/18 levels and is higher than the projected sum by £0.7 million.
- 3.53 Since April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate local authorities for these decisions the Government has allocated Councils a Section 31 Grant. An announcement regarding the grant for 2018/19 is awaited from Government.
- 3.54 The uncertainties that surrounded the operation of and funding of the Business Rates Pilot across the Liverpool City Region plus the Revaluation in 2017 have reduced through 2017/18 as it has become established. Whilst this does remain a complex and volatile area of income it is felt that this has reduced since last year and the earmarked reserve to mitigate against the financial implications in yields from Business Rates may be reduced. Details of this are contained detailed later in the report.

### **CENTRAL GOVERNMENT SUPPORT: LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)**

- 3.55 The Local Government Finance Settlement was finalised on 6 February 2018 and was in line with projected changes for 2018/19. The Settlement gave no indication of central government funding beyond 2019/20, the final year of the four-year settlement announced in 2016/17. Additional funding was announced for Adults Social Care (£150 million for 2018/19 for England) and for Children's Social Care £19 million in relation to unaccompanied asylum seeking children was announced. There were no further changes to New Homes Bonus. Wirral, as part of the Liverpool City Region pilot scheme for 100% Business Rates retention no longer receives Revenue Support Grant, funding to the same amount as RSG comes from the direct receipt of all business rates raised, supplemented by a Top-up Grant. The pilot was agreed with Government on the basis that the Council will suffer no detriment to its funding when compared to the funding that would have been received without the pilot being operational. The 2018/19 Settlement saw Wirral's expected Top-up grant reduced from £50.4m in 2017/18 to £42.7m in 2018/19, which is in line with the projected resources in the four-year settlement offer.



- 3.57 The Fair Funding Review – Needs Assessment consultation paper was released by the Government as part of the settlement. Responses are due back on 12 March 2018 with the outcomes of the needs and resources reviews likely to be implemented in 2020/21. This is anticipated to have a major impact on the distribution of funding between Councils in England. The consultation paper is a key part of the development of a new funding formula that will ultimately assess spending needs and available resources in every Council. Few details of the likely impact on Wirral are known but will be fed into future updates of the financial projection from 2020/21.
- 3.58 The Settlement announcement continues to allow the Adult Social Care Precept to increase from 2% to 3% on condition the total increase to 2019/20 does not exceed 6% over the three years. The total allowable Precept rise over the period is unchanged but the earlier implementation is a cash benefit. The Precept element of the Council Tax has to be separately identified on the Council Tax bill and its purpose is to help meet the pressures for adult care services. The details of this have to be reported by the S151 Officer to Government demonstrating that the additional financial resources from Council Tax have been allocated to Adult Social Care budgets in the year that it is levied. The Referendum threshold for general Council Tax increases for the 2018/19 Settlement (and 2019/20) has been “relaxed” to 2.99%.
- 3.59 The Settlement confirmed that the £1.8 million Adult Social Care Grant received in 2017/18 was a one-year only grant. It has been replaced in 2018/19 by the Adult Social Care Support Grant, the allocation to Wirral is £1.1 million for 2018/19. Wirral’s share of the three-year Additional Social Care funding announced in an earlier budget will fall from £8.3 million to £5.1 million. Both of these additional funding streams, together with the Council Tax Social Care precept, have to be allocated to Adult Social Care. An additional £3.7 million funding from the Improved Better Care Fund, bringing Wirral’s allocation to £13.4 million, was announced in the Settlement. The changes to New Homes Bonus introduced last year have produced a further £0.75 million reduction in this grant for 2018/19, to £1.52 million with further reductions expected for future years.
- 3.60 Since April 2015 a Better Care Fund (BCF) pooled budget arrangement has been in place with Wirral Clinical Commissioning Group (CCG) and operates under Section 75 joint governance arrangements being hosted by the Council. A condition of accessing the money in the Fund is that spend must be in line with the jointly agreed spending plans and these plans must meet certain requirements. The Wirral Fund comprises existing CCG and Council funding with the Council funding including Disabled Facilities Grant, Social Care Capital Grant and the NHS Social Care Transfer Grant. The BCF allocations for 2018/19 are awaited, although, as noted above, the allocation of the Improved Better Care Fund to be paid direct to the Council was announced.

- 3.61 In announcements outside the Settlement, the Department of Health has confirmed Public Health Grant for 2018/19 at £29.1 million which is as expected. Education Services Grant has been discontinued after the last payment in 2017/18, covering the final term of the 2016/17 academic year; there will be no ESG in 2018/19.

### **LEVEL OF GENERAL FUND BALANCES**

- 3.62 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.
- 3.63 The Council has a statutory duty to determine the level of General Fund Balances and reserves it maintains before it decides on the level of Council Tax. The level of balances should be based on the Council's own specific circumstances. Despite the certainty given by the Settlement, the financial future for the Council continues to be challenging and a number of major uncertainties remain. In determining the appropriate level, the Section 151 Officer has assessed a number of factors. This takes account of the strategic, operational and financial risk factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the guidance in this area).
- 3.64 Appendix 4 has the calculation updated and adapted for 2018/19 with the main change being a reduction in the risk associated with social care budgets. This reflects the mitigation provided by the additional funding due in 2018/19 from the increase in the Adult Social Care Precept, the Adult Social Care Grant and Improved Better Care Funding. In addition, the integration with Health which commenced in 2017/18 is reducing the risk factor further as this approach to the provision of services is viewed as an improved way to manage demand. The risk of inflation has been revised upwards for supplies and service costs. A risk amount to cover the deliverability of the savings, in line with the practice for 2017/18, has been included in the Revenue Budget Contingency for 2018/19.

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

	2017/18	2018/19
	£m	£m
Assessed at February 2018	10	10

£10m of general fund balances represents 3.7% of the Council's new revenue budget.

- 3.65 The latest Revenue Monitoring Report Quarter 3 (December 2017) showed the projected balance at 31 March 2018 to be £14.1 million. This is based on a projected underspend of £1.3 million. The projected amount is £4.1 million above the target and will be used to support the Budget in 2018/19. Any further underspending in 2017/18 and reduced call on balances will all be allocated in the same way. This will be detailed in the financial outturn for the year.

### Summary of the Projected General Fund Balances 2017/18

Details	£m
Actual Balance at 1 April 2017	+10.0
Add: Increase from Collection Fund surplus 2016/17	+4.6
Add: Additional Returned New Homes Bonus Grant	+0.2
Add: Potential Underspend at December 2017	+1.3
Less: Tree maintenance programme	-1.2
Less: Potential Unfunded New Ferry Costs	-0.3
Less: Memorial Event Funding per Cabinet 17 July 2017	-0.1
Less: Implementation of General Data Protection Regulation	-0.4
<b>Projected Balance 31 March 2018</b>	<b>14.1</b>

### REVIEW OF RESERVES

- 3.66 Resources set-aside for specific purposes as reserves should be established and used in accordance with the purposes intended. These are reviewed at least twice a year including in preparation for the next years Budget. The review recommends the release of £10.5 million as detailed in Appendix 5 as being no longer required and will be transferred to General Fund balances to support the budget in 2018/19.

### 3.67 Categories of Reserves

Category and Purpose
<b>INSURANCE AND TAXATION</b> Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
<b>TRANSFORMATION</b> Support the Transformation programme, which includes support to projects to deliver future savings and the reconfiguration of services.
<b>SCHOOLS RELATED</b> Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
<b>SUPPORT SERVICE ACTIVITIES AND PROJECTS</b> 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.

## **FINANCIAL YEAR 2017/18**

- 3.68 The financial position in 2017/18 provides a guide for the development of the Budget for 2018/19. The latest Revenue Monitoring report details the position at Quarter 3 (to 31 December 2017) and is on this agenda.
- 3.69 The latest projections are for a £1.3 million underspend whilst work continues to identify further in-year savings. However this reflects overspends within Environment plus Adult Social Services and Children's Services, the latter two areas are primarily as a result of increased care costs. Although offset by the revenue contingency and projected underspends within other areas the position for 2017/18 highlights the challenges that can be expected in the new financial year.
- 3.70 In considering the reported position Cabinet is reminded that the Quarter 1 (June 2017) Monitoring Report identified pressures and the decision was made to allocate £8.5 million of the 2017/18 contingency. This comprised of £5 million within People – Children & Families, £2 million in People – Adult Social Care and Health and £1.5 million in Business. After use to mitigate pressures, £3.5 million of the Revenue Budget Contingency remains unallocated to services and is offsetting pressures for the year.
- 3.71 The issues highlighted throughout 2017/18 are important when considering the deliverability of the Budget for 2018/19 which includes further planned savings and growth. Integral to this is ensuring the financial resilience is in place to mitigate against potential adverse variances such as where planned savings may not be delivered.
- 3.72 Adult Social Services has been an area of concern in 2017/18 with the service facing increasing numbers of clients and increase of care fees. The predicted overspend at the end of December is £1.5 million. With the transformation of services and integration with health partners to deliver future efficiencies together with the increasing sums from the Improved Better Care Fund and precept in 2018/19, it is felt that the pressures in 2018/19, while challenging, should be mitigated through service actions.
- 3.73 As mentioned previously, Children's Social Care faced service pressures from the increased number of children in care and the result of implementing the actions recommended from the 2016 Ofsted. Financial pressures have occurred in year with the forecast overspend for 2017/18 for Children's Services being £3.6 million. Investment in the service for 2018/19 is planned and has been detailed earlier in the report.
- 3.74 An assessment of previous year's savings and the financial proposals for 2018/19 has indicated that the majority will be achieved. However a number of proposals are rated as amber and red and will be closely monitored during 2018/19.

## RESULTING PROPOSED REVENUE BUDGET 2018/19

3.75 The proposed budget for 2018/19 reflecting all the details in this report and the appendices is set below. :

### Budget Summary 2018/19

<b>Forecast Income</b>	<b>Budget 2018/19 £m</b>
<b>Council Tax</b>	127.43
- Housing (4,500 properties)	1.10
- Increase 2.99% in 18/19 & 19/20 (1.99% for rest)	4.00
- Adult Social Care Precept of 3% per year 17/18, 18/19	3.90
<b>Business Rates</b>	126.24
- Loss of Business Rates Top Up (Due to RSG rolled in)	-7.00
- Improved Better Care Fund Rolled in	12.00
- Business Rates Base increase	4.20
- Business Rates Inflation	1.00
<b>New Homes Bonus</b>	1.56
<b>Capital Receipts to fund another year of transformation</b>	10.00
<b>One-off use of Balances, Reserves &amp; Collection Fund</b>	16.08
<b>Total Funding</b>	300.52

<b>Forecast Operating Structure Expenditure</b>	<b>Budget 2018/19 £m</b>
Business Services	77.01
Corporate Resources & Reform	1.52
Strategy and Partnerships	58.60
Children's Services	84.63
Adult Social Care	78.76
<b>Total Forecast Expenditure</b>	300.52

<b>Forecast Theme/Portfolio Expenditure</b>		<b>Budget 2018/19 £m</b>
<b>People</b>	Adult Social Care and Health	89.76
	Children & Families	92.80
<b>Environment</b>	Environment	46.20
	Housing and Community Safety	22.12
	Localism and Engagement	1.20
<b>Business</b>	Finance and Income Generation	8.06
	Highways and Transport	33.01
	Leadership	2.18
	Transformation	5.19
<b>Total Forecast Expenditure</b>		300.52

## Impact on General Fund Balances

- 3.76 The Budget includes the use of £16 million of General Fund Balances to support the Revenue Budget. This on-going support to the budget reflects the longer time-frame to implement the transformational changes required to move the Council on to a new financially self-supporting basis as Government support for general services reduces and the Council becomes reliant upon only local sources of income. The Balances are being supplemented from the Collection Fund and Earmarked Reserves as set out in the table below. The Collection Fund 2017/18 report agreed to the distribution of the 2017/18 surplus with the Council receiving a “one-off” distribution of £1.4 million from Council Tax. The release of Earmarked Reserves is referred to in section 3.73 and Appendix 5.

## Projected General Fund Balances

Details	2017/18 £m	2017/18 £m
General Budget Balances as at 1 April 2018		14.1
Add: Transfer from the Collection Fund Council Tax	+1.4	+1.4
Add: Transfer from Earmarked Reserves: Insurance Fund Business Rates Reserve Housing Benefit Reserve Support to Services	2.5 4.6 2.0 1.4	+10.5
Less: Support to Revenue Budget 2018/19		-16.0
General Fund Balances 31 March 2018		10.0
Target General Fund Balances 31 March 2019		10.0

- 3.77 The planned use of Balances will result in Balances of £10 million at the end of the financial year which is in line with the recommended locally determined level. The release of Earmarked Reserves significantly reduces the level held and is in line with the reduced financial risks due to the acceptance of the four year funding Settlement and the longer term financial planning approach and monitoring that is in place.
- 3.78 Over the MTFS period Balances will be used to smooth the implementation of the proposals detailed in this report. This will allow time to plan future savings effectively to ensure that they are deliverable and their impact of residents and service users is kept to a minimum.
- 3.79 Over the MTFS period the Council intends to utilise both the Transformation Fund and capital resources through the flexible use of capital receipts to finance the transformation of a number of services.

## **ROBUSTNESS OF THE ESTIMATES**

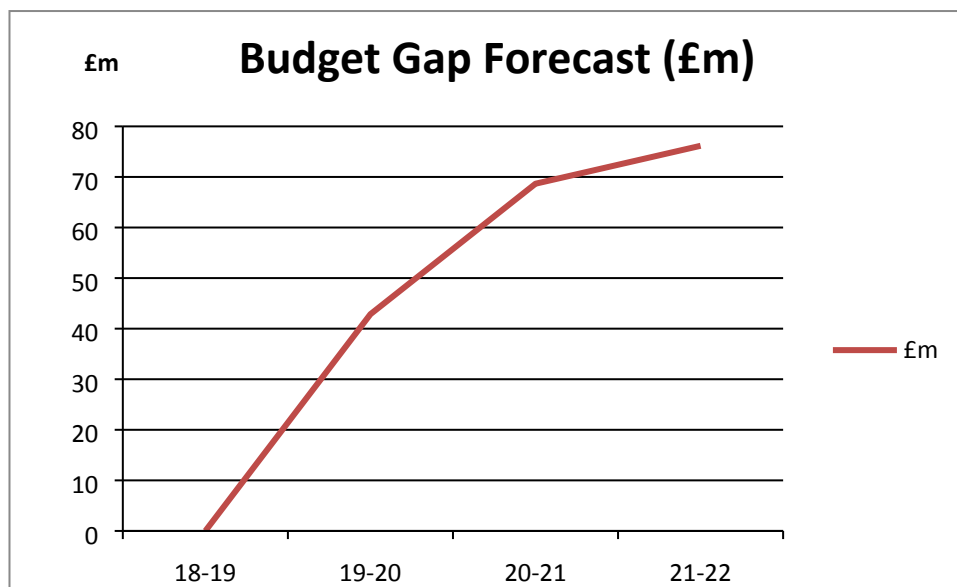
- 3.80 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.
-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

## **MEDIUM TERM FINANCIAL STRATEGY 2019/20-2022/23**

- 3.82 The Government announced in December 2015 the key components of the Council's funding for the period up to 2019/20. Through Wirral's acceptance of the four year settlement deal these levels are confirmed for three years. This does and has provided some assurance around funding and enables financial planning to be clearer. There does however remain uncertainty beyond 2019/20 for 2020/21 and 2021/22. The Fair Funding Review consultation paper was released by the Government in December 2017, with outcomes likely to be implemented in 2020/21.
- 3.83 The Council through its MTFs has been able to set a balanced budget for 2017/18 and is positioned to do the same for 2018/19, subject to Council Tax decisions and the delivery of MTFs financial proposals set out in this report. However after 2018/19 there is a new funding gap to be resolved. The gap is forecast to reach £76 m by 2021/22 of which £43 m relates to 2019/20.

### **Budget Projections 2018/19-2021/22: Budget Gap Forecast**

PROJECTIONS	19/20 £m	20/21 £m	2021/22 £m
Cumulative Budget Gap	43	69	76
Annual Budget Gap	43	26	7



- 3.84 The Council has since 2010 delivered a programme of savings and increased income in response to financial pressures and cuts to government funding. The response over recent years has been to find solutions through efficiencies, a number of innovations and transformation plus raising more income. The use of one off funding in 2018/19 means that the period 2019/20-2021/22 represents a new challenge and to respond requires a reset to the Medium Term Financial Strategy. The Council has already developed and agreed indicative proposals for the period 2019/20-2020-21 as part of the MFTS 2017/18-2020/21 agreed in March 2018. With the development of the new MFTS these will be reviewed and incorporated in the financial projections for the new financial planning period.
- 3.85 During 2018 a new MFTS will be developed alongside the Wirral Plan using the outcome based budgeting approach. Work has already commenced on the development of the outcomes based framework for how the Council can achieve a balanced budget at the same time as continuing to deliver the Wirral Plan. The solutions, balancing the budget, will also come from the Council's commercial and income strategy and approaches, generating additional income from new and existing sources. Investing to establish long term and diverse sources of income will be combined with an examination of how and where the Council currently spends. The Council has made progress in previous years. There are considerable challenges with finding £76m of increased income and budget changes from services in the three years from 2019/20. The challenge of this, following 8 years of austerity and annual funding reductions should not be underestimated. The size of the budget gap and what is to be found makes it more difficult to find solutions that do not affect service delivery, as the scope for efficiencies and changes to the way things are done is reduced. The year 1 requirement is £43m and means that significant decisions will be required throughout 2018.



- 3.86 To develop the framework an overview of the development of the new MTFs will be considered by Cabinet later in the year. This report will outline the framework of how the Council can achieve the needed budget changes while at the same time delivering for Wirral. The Council's new organisational structure, building on the delivery of the Wirral Plan for the Council, will aim to align the plan for the Council with the development of a new financial strategy to ensure that our financial resources are fully matched to the actions and tasks that will achieve the outcomes of the Wirral Plan.
- 3.87 The new strategy will develop through the course of 2018 as the Council looks at what it wants to deliver and supporting research provides the evidence needed to produce business cases on where income can be increased and costs can be reduced. A key element of this will be transformation with digital and technological innovation being essential to the facilitation of service change and efficiencies. However technological investment will be required and the Council will utilise as far as possible the flexible use of capital receipts.
- 3.88 In a challenging financial environment the Council will also pursue all appropriate sources of funding, including additional grants. The aim is to maximise future grant funding to ensure the Council is able to further invest in its pledges and the area. It is anticipated that maximisation would be through identification of funding opportunities, target grant applications plus work to seek and develop long term grant partnerships.
- 3.89 Outcomes Based Budgeting means aligning our financial resources to the Wirral Plan key outcomes. Wirral's budgeting process has traditionally started with the current year's budget as its base and made adjustments for assumptions such as pay and pressures. Financial proposals have been developed to meet the resulting gap through a themed approach to meet the budget gap for a particular year. This approach can result in duplication and not enough focus on directing resources to outcomes.
- 3.90 Outcomes based budgeting aims to match financial resources to the achievement of Wirral Plan outcomes. The approach will:
- Start with the outcomes that the Wirral Plan is planning to achieve;
  - As part of the Transformation Programme there will be an examination of the activities that contribute, asking how they contribute and how can this be demonstrated;
  - Target financial resources towards the achievement of outcomes.
  - Maximise grant funding to invest in Council pledges.
- 3.91 The result will be an MTFs and budget that minimises duplication of activities and spend on services, improving value for money through a

targeted approach. It also aims to deliver a cross Council understanding of what the Council is undertaking, the reasons for this and how it is delivering. Ultimately outcomes based budgeting seeks to align financial resources via the annual budget to the achievement of outcomes of the Wirral Plan. Council investments in services and assets will be clearly seen to achieve the Wirral Plan.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The financial implications are detailed in the report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 The Council is required to agree a Budget for 2018/19 by 10 March 2018. The Chief Financial Officer is required under Section 25 of the Local Government Act 2003 to produce a report on the robustness of the estimates made for the Council's Budget.

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

5.3 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992, as amended by the Localism Act 2011 and the decision of the Secretary of State in relation to the determination of excessive Council Tax rises.

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

5.5 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires that a recorded vote, detailing the names of all Councillors voting and how they voted, be taken in respect of all votes involved in setting the Budget and Council Tax levels.

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

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

## **7.0 RELEVANT RISKS**

- 7.1 The financial position for 2018/19 is based on forecast amounts which are outside of Council control such as Government funding and the changing demand for services. A key risk is that any of these assumptions can change which is increasingly the case when projections are made over the medium term. This is mitigated by keeping the MTFs under, at least, an annual review. Further mitigation is provided through the publication and acceptance by the Government of the Council Efficiency Plan in 2016.
- 7.2 Under the system of retained Business Rates Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to the safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the authority. These risks can be mitigated through a combination of the operation of the Collection Fund, General Fund Balances and a Business Rates Reserve.
- 7.3 The budget for 2018/19 is reliant on the generation of future capital receipts. It is planned that £10 million of revenue funding will be funded from capital receipts through utilising the flexible use of capital receipts freedoms in 2018/19. The generation of capital receipts is sensitive to the fluctuations in the performance of the property market including changes in land values. If sales and prices reduce or not take place, it will be necessary to look to mitigate including through the use of limited revenue funding and further sales of assets.
- 7.4 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The approach adopted is to determine the level of General Fund balances as part of setting the Annual Budget. It is based on local circumstances having regard to an assessment of risk. Both Grant Thornton (the Council's External Auditor) and CIPFA (the professional body) have issued guidance which supports the approach.
- 7.5 There is a risk that agreed changes will not be delivered or that increasing pressures will be faced by services, particularly those that are demand led services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2018/19 preparation has included an assessment of the level of General Fund Balances.
- 7.6 The 2018/19 Budget is supported by the use of one off funding from the use of balances, capital receipts and reserves. Whilst this approach can be adopted it does present a risk in that this action is only a temporary solution. The challenge associated with the use of one off funding is the requirement to develop budget reductions across the Council or additional income. While work has been started on future years further efforts are required with the development of the MTFs planning process to meet the challenges of replacing the one off funding with permanent solutions. This

can be mitigated by the earlier delivery of the proposals emanating from the Transformation Programme.

- 7.7 The Robustness Statement required under Section 25 of the LGA gives an assurance regarding the deliverability and sustainability of the Estimates as well as the adequacy of the level of reserves and balances. This is set out in Appendix 6.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Following Cabinet on 18 December 2017 the required consultation and engagement with residents, partners and stakeholders where required has been undertaken. The details of responses can be found at Appendix 1. This included the Overview and Scrutiny Committees and a report on the outcomes is on this Cabinet agenda.
- 8.2 The Council also worked with staff and Trade Unions to ensure obligations in relation to statutory staff consultation is delivered appropriately and within agreed guidelines.
- 8.3 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

## **9.0 EQUALITIES IMPLICATIONS**

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

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## **APPENDICES**

Appendix 1	Budget 2018/19: Consultation Findings
Appendix 2	Financial Proposals 2018/19
Appendix 3	Fees and Charges 2018/19
Appendix 4	Level of General Fund Balances
Appendix 5	Reserves
Appendix 6	Chief Financial Officer Statement (Robustness of Estimates).

## **REFERENCE MATERIAL**

Council Budget 2017/18 agreed by Council on 6 March 2017.  
Autumn Budget 2017 issued by HM Treasury on 22 November 2017

Local Government Finance Settlement 2018/19 issued by the Ministry of Housing,  
Communities and Local Government– 6 February 2018  
Section 25 Local Government Act 2003.

### **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Council	6 March 2017
Cabinet	19 December 2017
Medium Term Financial Strategy and Budget 2018/19	
Budget Decision Council – 5 March 2018 Procedure and Rules	
Council Tax Base 2018/19	

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# **BUDGET 2018/19: CONSULTATION FINDINGS**

## 1.0 EXECUTIVE SUMMARY

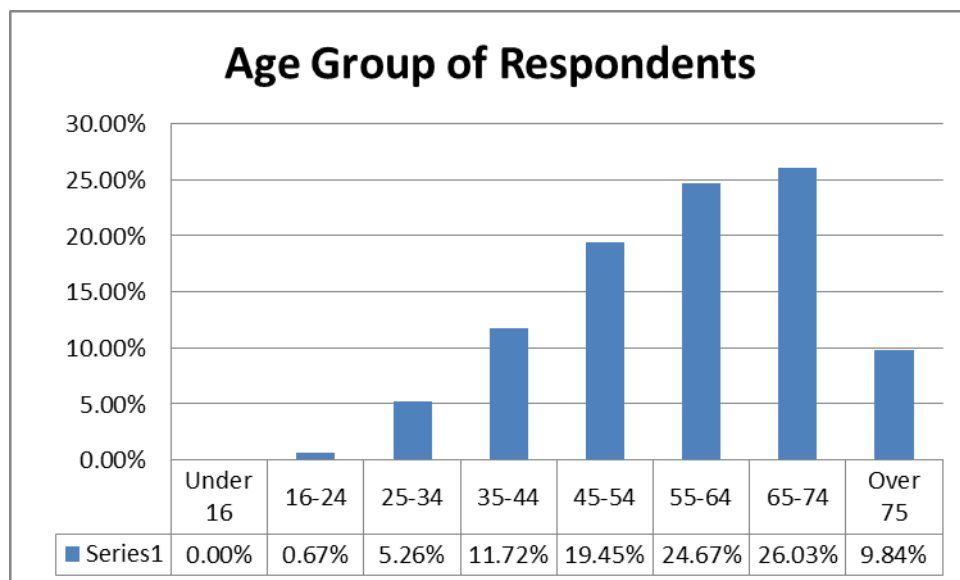
Consultation feedback which has been received from residents and people using services is presented for Members within this report. The report contains the results of the general consultation questionnaire, as well as feedback received relating to specific budget proposals requiring consultation – namely the proposals to introduce parking charges at various coastal locations and introducing a small charge to use public conveniences in the borough, in order to offset the cost of their maintenance.

Residents were provided with a summary of each budget proposal, covering the level of saving predicted to be achieved, the nature of the proposal, its potential impact and the mitigation which could be employed by the council.

## 2.0 PROFILE OF RESPONSES

The Council received 5975 responses to the budget consultation, which ran from 16 January to 02 February 2018. The vast majority of responses came from Wirral residents (5749), with 454 coming from staff and 32 coming from people identifying themselves as representing a partner organisation.

As the chart below shows, the respondents generally came from older age groups, with most respondents being aged 35 and older.



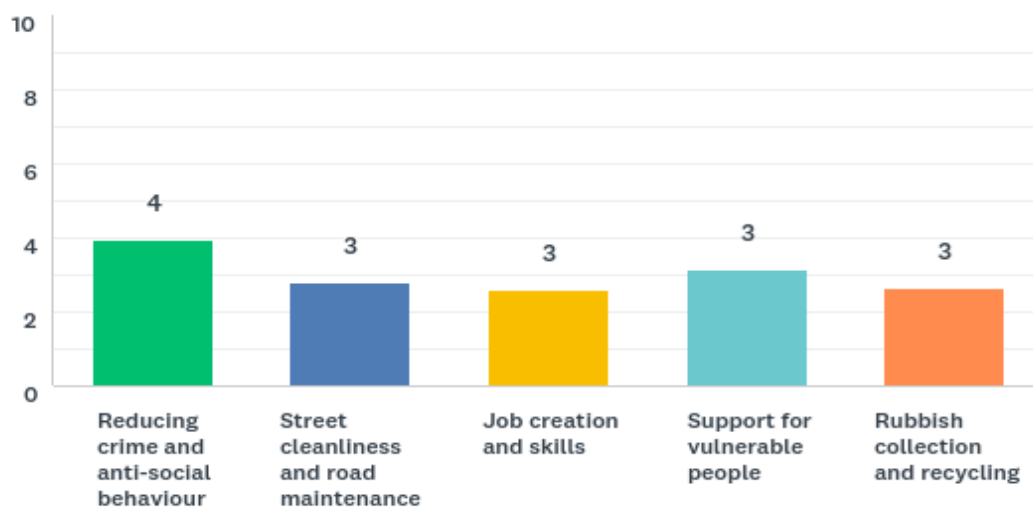
The responses were also more heavily weighted towards those people living on the west of the borough, with 31% from Wirral West, 29% from Wirral South, 22% from Wallasey and 17% from Birkenhead. Both this geographical split and the differences in the age profile of respondents is similar in theme to consultations run in previous years.



### 3.0 FEEDBACK RECEIVED

The data provided to Members below demonstrates feedback from residents on the questions within the general consultation questionnaire.

The first question was related to council and budget priorities. Residents were provided with a list of 5 priorities and asked to indicate if they agreed with them and then to rank their importance. 85% of residents agreed that the areas listed should be the council's top priorities. The chart below provides the ranking data, which demonstrates that Wirral residents believe **reducing crime and anti-social behaviour** should be our top priority, closely followed by support for vulnerable people (2), street cleanliness and road maintenance (3), rubbish collection and recycling (4) and job creation and skills (5).



The following tables present the feedback received from the general policy themed questions within the budget questionnaire. Generally, the responses demonstrate relatively strong support for the council developing shared services with other councils and organisations, and for finding more efficient ways to deliver services – either through working with community and voluntary organisations or commissioning services outside of the council.

There is also relatively strong support for utilising council land and buildings to drive growth in the economy and creating jobs. A more mixed view was provided on charging for some services in order to ensure their costs are covered.

**The Council provides a number of services either for free, or for a fee which is less than the service actually costs. The Council could charge enough to cover costs in these areas. To what extent do you support or oppose this approach?**

Answer Choices	Responses	
Strongly support	10.09%	484
Support	27.74%	1331
Neither support nor oppose	29.55%	1418
Oppose	20.05%	962
Strongly oppose	12.57%	603

**Wirral Council could look into whether the private sector, or a community or voluntary organisation, could provide a cheaper, more efficient service for some Council functions. To what extent do you support or oppose this approach?**

Answer Choices	Responses	
Strongly support	17.33%	834
Support	34.73%	1671
Neither support nor oppose	15.54%	748
Oppose	17.17%	826
Strongly oppose	15.23%	733

**Provided the Council was still responsible for making sure the quality of services was high enough, would you support the Council paying someone else to deliver services, rather than delivering them itself?**

Answer Choices	Responses	
Strongly support	13.99%	672
Support	36.65%	1761
Neither support nor oppose	14.26%	685
Oppose	18.79%	903
Strongly oppose	16.32%	784

<b>A number of Councils work together to provide joint services, which bring major cost savings. Wirral could work with Councils across Merseyside and Cheshire to provide certain services this way. To what extent do you support or oppose this approach?</b>		
Answer Choices	Responses	
Strongly support	28.33%	1362
Support	46.58%	2239
Neither support nor oppose	13.73%	660
Oppose	6.53%	314
Strongly oppose	4.83%	232

<b>The Council owns a large amount of land and buildings across Wirral, and could use this land to create jobs, drive growth in the economy and bring money into the Council to fund services. To what extent would you support or oppose this approach?</b>		
Answer Choices	Responses	
Strongly support	26.76%	1280
Support	36.50%	1746
Neither support nor oppose	17.22%	824
Oppose	11.33%	542
Strongly oppose	8.19%	392

#### **4.0 BUDGET PROPOSALS**

The budget questionnaire also asked residents for their views on what should be considered if services were to be reduced or changed. More than 3000 comments were received, which mainly focussed on ensuring the vulnerable and less well-off were supported. Other themes focussed on reducing the costs of services through becoming more efficient, and reducing bureaucracy and perceived unnecessary spend on services and the running of the Council.

##### **Car Parking at Coastal Locations**

###### Summary of Proposal

The Council is proposing to raise some revenue to support local services by charging for parking at some visitor locations, including North Parade (between Hoylake and Meols), South Parade, West Kirby, Derby Pool (Wallasey), Kings Parade (Wallasey), Gunsite (Leasowe), and Leasowe Lighthouse.

Do you have any comments or concerns about this proposal?

###### Summary of Feedback

4130 comments were received from residents on this proposal. General themes of feedback can be summarised as;

- Comments mainly expressed concern at the impact of the proposed charges on the numbers of visitors at the locations.
- People responding in general opposed the charges, and also highlighted fears that visitors would instead park in nearby residential areas.
- A small number of respondents stated they would support parking charges provided the costs were reasonable and the facilities well maintained.

## **Public Conveniences**

### Summary of Proposal

The Council is also proposing to part fund the maintenance of local public toilet facilities by introducing a small charge, around 30p, to use them.

Do you have any comments or concerns about this proposal?

### Summary of Feedback

3900 comments were received from residents on this proposal. General themes of feedback can be summarised as:

- Different views were provided as to whether 30p was too high or too low a charge, with people being similarly split on whether they support the proposal in general.
- A significant number of comments expressed support at the proposal, stating that public toilets in most locations are no longer free to use.
- Many people also expressed concerns about elderly residents potentially being excluded from using the facilities should a charge be introduced.

## BY COUNCIL OPERATION STRUCTURE

## Summary

OPERATING STRUCTURE	£m
Business Services	-0.87
Corporate Resources & Reform	-25.60
Strategy & Partnerships	-1.00
Childrens Services	-5.20
Adult Social Care	-2.70
TOTAL PROPOSALS	-35.37

## Detail

## OPERATING STRUCTURE

BUSINESS SERVICES	18-19 £m
Energy Efficiency	-0.03
Equipment support costs	-0.05
Fees & Charges	-0.06
General restructure across customer services	-0.15
Increase in Planning Income	-0.10
Mayoralty Efficiencies	-0.02
Paperless Committees	-0.02
Properties in Birkenhead	-0.30
Public Conveniences Charging Policy	-0.03
Safer Wirral Hub	-0.03
Selective Licensing	-0.03
Supporting People	-0.05
<b>Total Business Services</b>	<b>-0.87</b>

CORPORATE RESOURCES & REFORM	18-19 £m
Council Tax Increase of 2.99%	-4.00
Council Tax Adult Social Care Precept	-3.90
Council Tax increased from House building	-1.20
Business Rates increased Collection	-4.20
Business Rates inflation	-1.00
Improved Better Care Fund	-6.90
Audit Fees	-0.05
Reduce Employees / Member Training Budgets for one-year	0.20
Treasury Management/ MRP	-3.80
Reduction in Senior Management	-0.75
<b>Total Corporate Resources &amp; Reform</b>	<b>-25.60</b>

STRATEGY & PARTNERSHIPS	18-19 £m
Assisted Travel Procurement	-0.13
Car Park Maintenance reduced for one-year	0.08
Communications restructure	-0.05
Communications service to be expanded	-0.04
Garden waste marketing	-0.30
Introduce Car Parking Tariffs Coastal Sites	-0.25
Litter Enforcement	-0.05
Merseyside Recycling and Waste Authority Levy Project	-0.10
Parking services enforcement	-0.05
Transport Levy	-0.11
<b>Total Strategy &amp; Partnerships</b>	<b>-1.00</b>

CHILDRENS SERVICES	18-19 £m
Mitigate and contain the numbers of looked after children, with a review of placement costs and associated social worker numbers.	-5.20
<b>Total Childrens Services</b>	<b>-5.20</b>

ADULT SOCIAL CARE	18-19 £m
Savings with Adult Social Care	-2.70
<b>Total Adult Social Care</b>	<b>-2.70</b>

## BY CABINET PORTFOLIO HOLDER

### Summary

Portfolio	£m
Environment	-0.58
Highways & Transport	-0.46
Housing & Community Safety	-0.14
Localism & Engagement	-0.09
Children & Families	-5.20
Health & Care	-2.70
Finance & Income	-26.20
<b>TOTAL PROPOSALS</b>	<b>-35.37</b>

### Detail

ENVIRONMENT	18-19 £m
Increase in Planning Income	- 0.10
Public Conveniences Charging Policy	- 0.03
Litter Enforcement	- 0.05
Garden waste marketing	- 0.30
Merseyside Recycling and Waste Authority Levy Project	- 0.10
<b>Total Environment</b>	<b>- 0.58</b>

HIGHWAYS & TRANSPORT	18-19 £m
Car Park Maintenance reduced for one-year	0.08
Assisted Travel Procurement	- 0.13
Parking services enforcement	- 0.05
Introduce Car Parking Tariffs Coastal Sites	- 0.25
Transport Levy	- 0.11
<b>Total Highways &amp; Transport</b>	<b>- 0.46</b>

HOUSING & COMMUNITY SAFETY	18-19 £m
Selective Licensing	- 0.03
Supporting People	- 0.05
Safer Wirral Hub	- 0.03
Energy Efficiency	- 0.03
<b>Total Highways &amp; Transport</b>	<b>- 0.14</b>

LOCALISM & ENGAGEMENT	18-19 £m
Communications service to be expanded	- 0.04
Communications restructure	- 0.05
<b>Total Localism &amp; Engagement</b>	<b>- 0.09</b>

CHILDREN AND FAMILIES	18-19 £m
Mitigate and contain the numbers of looked after children, with a review of placement costs and associated social worker numbers.	- 5.20
<b>Total Children &amp; Families</b>	<b>- 5.20</b>

HEALTH & CARE	18-19 £m
Savings with Adult Social Care	-2.70
<b>Total Health &amp; Care</b>	<b>- 2.70</b>

FINANCE & INCOME	18-19 £m
Council Tax Increase of 2.99%	- 4.00
Council Tax Adult Social Care Precept	- 3.90
Council Tax increased from House building	- 1.20
Business Rates increased Collection	- 4.20
Business Rates inflation	- 1.00
Improved Better Care Fund	- 6.90
Fees & Charges - general in line with policy of full cost recovery	- 1.00
Fees & Charges - in other proposals	0.94
Reduce Employees / Member Training Budgets for one-year	0.20
Audit Fees	- 0.05
Equipment support costs	- 0.05
General restructure across customer services	- 0.15
Paperless Committees	- 0.02
Mayoralty Efficiencies	- 0.02
Treasury Management/ MRP	- 3.80
Properties in Birkenhead	- 0.30
Reduction in Senior Management	- 0.75
<b>Total Finance &amp; Income</b>	<b>- 26.20</b>



## **FEES AND CHARGES 2018/19**

### **1.0 SUMMARY**

1.1 This report sets out the fees and charges proposed for Council services for the year 2018/19. As required by best practice, all of the fees and charges of the authority have been reviewed by Business Units and Business Support staff with a view to maximising income resources within statutory constraints. Wirral follows good practice by maintaining and publishing a comprehensive Directory of its Fees and Charges each year.

### **2.0 BACKGROUND INFORMATION**

#### **REVIEW OF CHARGES FOR 2018/19**

- 2.1 Wirral receives income to pay for its services from a number of different sources including:
- Grants from central government
  - Grants from other public bodies
  - Council Tax and Business Rates
  - Fees and Charges
- 2.2 Wirral provides a wide range of services; some free to users and some charged for. The income from the charged-for services is a key source of funding to support services and generates over £50 million per year. Charges are set with the framework of the Medium Term Financial Strategy, the charging policy and legal requirements.
- 2.3 Many fees and charges for statutory services are set subject to national guidelines. There may be circumstances where the charge is set to manage demand or deter certain behaviour, such as fines. The remaining charges for services are discretionary in nature, covering a wide range of services such as Pest Control and Leisure Centres. The Budget proposals include recommendations for fees and charges for 2018/19, following a review process by all service managers.
- 2.4 A comprehensive Directory of Fees and Charges containing a description of the charge: VAT status and the level of charges in 2018/19, 2017/18 and 2016/17 is held on the Council web-site and updated annually.
- 2.5 Whilst some fees and charges are unchanged from 2017/18 a number have changed as a result of legislation or of savings already agreed; these have been included in the Directory. An Executive Member Decision to increase charges for leisure facilities by 5% as from 1<sup>st</sup> January was made on 5<sup>th</sup> December; charges at this increased level are shown in the Directory as approved for 2018/19. Some charges included in the Directory still await final decisions on their implementation; when confirmed these charges will be amended as necessary prior to publication of the Directory in April 2018.

2.6 In setting charges for 2018/19, the Council seeks to cover the full cost of providing services where it is possible to do so in line with the Council's service priorities. As a consequence some charges are being increased by more than the current levels of inflation.

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

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

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

### **4.0 RELEVANT RISKS**

4.1 Whilst budgets for income from fees and charges are set with regard to the status of the charges as statutory or discretionary, the achievement of income targets can be influenced by many factors including the local economic situation. The effect of these factors can be mitigated by maintaining a constant review of charges and amending budgets where required to reflect what is achievable.

### **5.0 EQUALITY IMPLICATIONS**

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

### **6.0 RECOMMENDATIONS**

6.1 That Delegated Authority be given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2018.

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

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

## **Pricing and Charging Policy**

### **Introduction**

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

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

The purpose of this document is to:

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

This document covers the following

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

### **Scope of Charging**

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

#### **Overriding Principles when setting Charges**

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

### **Reviewing Charges**

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

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

### **Factors to consider in an annual review**

The review of charges should consider the following:

- Inflation – All charges should increase at least in line with inflation. The reasons for doing so should be known, specified and recorded.
- Competition – The actual or potential consequences of any service competitors on service use of any change in prices should be assessed.
- Take up of the Service- The trend in the use of the service i.e. current take up and potential take up of the services may be affected by changes in charges.
- Budget requirements- The requirements of the Medium Term Financial Strategy and the need to make budgetary changes.
- Costs – Services are expected to cover costs wherever possible. A potential change in charges should assess how far a service has reached this objective.
- The use of Alternative/Flexible Charging Structures - The use of alternative charging structures should be considered especially if they are more effective in delivering income. This may include an assessment of the effectiveness of the use of alternative charging in the past. For certain services differential charging, promotional charging, flexible charging (i.e. charges for a standard/premium service, fast/high quality service), frequent user discounts should be considered.
- The method and the cost of income collection - How much is the costs of collection when assessed against the income generated.

### **Concessions**

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

**LEVEL OF GENERAL FUND BALANCES**

**1.0 EXECUTIVE SUMMARY**

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

**2.0 BACKGROUND AND KEY ISSUES**

**INTRODUCTION**

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

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

**LOCALLY DETERMINED LEVEL OF GENERAL FUND BALANCES**

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

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

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

- 2.5 CIPFA guidance issued in 2014 states that in order to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.
- 2.6 CIPFA state that the financial risks should be assessed in the context of the Council's overall approach to risk management. In its paper "Local Authority Reserves and Balances" the following factors are relevant to determining the level of balances.
- The treatment of inflation and interest rates.
  - The treatment of demand led pressures.
  - The treatment of planned efficiency savings/productivity gains.
  - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.
  - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
  - The general financial climate to which the authority is subject.
- 2.7 In determining the appropriate level of balances the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council takes into account the main risks and uncertainties including:-
- Legislative changes
  - Inflation
  - Grants and Partnerships
  - Volume and Demand Changes
  - Budget Savings
  - Insurance and Claims
  - Energy Security and Resilience
- 2.8 This has been Wirral Councils approach since November 2012 and is reviewed in line with CIPFA guidance. A consideration of the risks and the financial circumstances that might be faced by Wirral for 2018/19 has been made. The risk factors used in the Councils assessment are similar to those recommended by CIPFA guidance. It proposes a minimum level which the Council must maintain and updates the previous assessment of February 2017.

## **FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION**

- 2.9 The Revenue Monitoring throughout 2017/18 has shown that the Council has been overspending in specific areas with an overall positive position predicted at the year end. Work continues for this financial year so that it continues to be delivered within the resources available. At December 2017 (Quarter 3) the projected underspend was £1.3 million. The process for the 2018/19 Budget has included a risk assessment of all savings.
- 2.10 Based upon the approach set out above and having regard to both the current financial position and the Budget for 2018/19 and beyond the calculation has been updated and is detailed in the Annex 1.

### **SUMMARY OF THE ASSESSED GENERAL FUND BALANCES**

	2017/18	2018/19
	£m	£m
Assessed at February 2018	10.0	10.0

- 2.11 The February 2018 assessment for 2018/19 is the same as the assessed amount for 2017/18. The main changes have been a reduction in the risk associated with the business rate pilot scheme having a no detriment clause. This offsets an increased risk from the release of reserves in 2018/19 that would mean fewer resources available for any clawback of grants.
- 2.12 The 2017/18 General Fund balance risk calculation was for a minimum of £10.0 million at 31 March 2018. The latest Monitoring Report December 2017 (Quarter 3) showed that the projected position was £14.1 million. This is based on a projected underspend of £1.3 million. The projected amount is £4.1 million above the target amount of £10 million for 2018/19 and can support the General Fund Budget. Any further underspending in 2017/18 and reduced call on balances will be allocated in the same way. This will be detailed in the financial outturn for the year.

### **3.0 RELEVANT RISKS**

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

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

#### **4.0 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS**

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

#### **5.0 RECOMMENDATIONS**

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

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



## ASSESSMENT OF GENERAL FUND BALANCES 2018/19

Area of Risk	2018/19		
	Budget £000's	Risk Level	Value £000's
<b>Legislative Changes</b>			
Local Business Rates Income	67,941	1.00%	679.4
Bail in Arrangements	1,000	9.00%	90.0
	<b>68,941.0</b>		<b>769.4</b>
<b>Inflation</b>			
Employees	136,082	0.10%	136.1
Premises	17,858	0.75%	133.9
Transport	6,898	1.00%	69.0
Supplies	159,805	1.00%	1,598.1
Services	140,000	1.00%	1,400.0
Transfer	160,318	0.00%	0.0
	<b>620,961</b>		<b>3,337.0</b>
<b>Interest Rates</b>			
Borrowing	12,644	0.00%	0.0
Investment	875	0.00%	0.0
	<b>13,519</b>		<b>0.0</b>
<b>Grants and Partnerships</b>			
Housing Benefits incl Admin Grant	<b>140,727</b>	0.50%	703.6
Other General Fund Grants	3,000	20.00%	600.0
Better Care Fund	27,000	1.00%	270.0
Alternative Delivery operation			500.0
	<b>170,727.0</b>		<b>2,073.6</b>
<b>Volume / Demand Changes</b>			
Capital Receipts	10,000	9.00%	900.0
Customer and Client Receipts	52,049	1.00%	520.5
Demand Led Budgets (Social Care)	96,000	1.00%	960.0
Collection Fund	136,430	0.25%	341.1
Winter Pressures	400	0.00%	0.0
	<b>294,879</b>		<b>2,721.6</b>
<b>Insurance/Public Liability Third Party Claims</b>			
MMI Liabilities	380	5.00%	19.0
Legal Liabilities	9,723	2.00%	194.5
Self Insured Liabilities	2,977	2.00%	59.5
	<b>13,080</b>		<b>273.0</b>
<b>Energy Security and Resilience</b>			
Infrastructure failure	<b>3,000</b>	25.00%	750.0
Carbon Tax Legislation	<b>400</b>	20.00%	80.0
<b>TOTAL</b>			<b>10,004.7</b>

**RESERVES**

**1.0 EXECUTIVE SUMMARY**

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

**2.0 BACKGROUND AND KEY ISSUES**

- 2.1 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the establishment and maintenance of local authority reserves which makes it clear that Councils when reviewing their Medium Term Financial Strategies should consider the establishment and maintenance of reserves.
- 2.2 Resources set-aside for specific purposes reserves should be established and used in accordance with the purposes intended. The minimum level of new reserves and provisions is set at £20,000 unless these relate to amounts held in trust all reserves are reviewed at least twice a year.
- 2.3 The Constitution and Financial Regulations require that any reserves which are established are monitored and used in accordance with statutory financial guidelines.
- 2.4 For each reserve there needs to be a reason for / purpose of the reserve and details of how and when the reserve can be used.

## RESERVES

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

Category and Purpose
<b>INSURANCE AND TAXATION</b> Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
<b>TRANSFORMATION</b> Support the Transformation programme, which includes support to projects to deliver future savings and the reconfiguration of services.
<b>SCHOOLS RELATED</b> Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
<b>SUPPORT SERVICE ACTIVITIES AND PROJECTS</b> 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.

- 2.6 A robust reserves strategy is a key part of the financial resilience of the Council and provides the first line of defence underpinning the statutory requirement to set an annually balanced budget. Adequate reserve levels help prevent local authorities from overcommitting themselves financially, mitigate against risk and provide organisational stability in the event of unanticipated, unforeseen or emergency spending being required. An assessment of the adequacy of reserves is a key statutory requirement to be undertaken at least annually. Section 32 Local Government Finance Act 1992 require authorities when determining the annual budget requirement to consider financial reserves appropriate to raise in the year for meeting its estimated future expenditure and to take into account the sufficiency of financial reserves to provide for past revenue budget deficits. Furthermore, the statutory Chief Finance officer report (s25 report) is specifically required to provide an assurance on the overall adequacy of reserves and robustness of the budget strategy (elsewhere on the agenda).
- 2.7 The Council in recent years has increasingly relied on reserves in balancing the budget and in meeting service related financial demands. Actual general fund and earmarked reserves have reduced by £20m between 31 March 2014 and 31 March 2017, representing a 20% reduction. Looking forward, reserves are forecast to reduce further to £47m by 31 March 2019.

- 2.8 The Budget 2018/19 strategy does not provide for any replenishment of reserves, but draws down some £15m as general budget support. This is not sustainable in the longer term and opportunities will need to be taken to contribute to reserves, wherever possible. Demands on the use of reserves will be restricted and closely monitored in the light of ongoing risks being faced by the Council.
- 2.9 The experience at Wirral is common to other Councils. A recent Study by the Office of Budget Responsibility contained details of the level of local authority reserves since 2010/11. This showed that in period 2015/16 and 2016/17, English local authorities drew down from their stock of reserves by £0.4 and £1.5 billion respectively. This reversed the build-up of reserves from 2010, which saw them rise by an average of just under £2 billion a year between 2010/11 and 2014/15.
- 2.10 Annex 1 provides details of the reserves which are no longer required and can be released.

### **3.0 RELEVANT RISKS**

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

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

- 4.1 The setting and justification of provisions and reserves is a key element of the Councils financial process. At the start of 2017/18 the Council held over £55.1 million in earmarked reserves, prior to any release or use of reserves.

### **5.0 RECOMMENDATIONS**

- 5.1 That the release of £10.5 million of Reserves be agreed.
- 5.2 That released Reserves be added to General Fund Balances to support the Revenue Budget.

## Summary of Reserves

Reserve Category	2017/18 Balance	Predicted Use	Amount to be released
	£	£	£
Insurance & Taxation	20,878,401	11,797,869	9,080,532
Transformation	3,554,382	3,554,382	0
Schools	12,962,804	12,962,804	0
Support Service Activities and projects	17,669,268	16,249,800	1,419,468
<b>Total</b>	<b>55,064,853</b>	<b>44,564,855</b>	<b>10,500,000</b>

## Reserves to be Released

Reserve Category	Brief Description	2017/18 Balance	Predicted Use	Amount to be released	Comments on released reserves
		£	£	£	
Insurance & Tax	Insurance Fund	9,867,459	7,369,060	2,500,000	Release based on assessment of demands on the Fund.
Insurance & Tax	Housing Benefits	4,717,785	2,717,785	2,000,000	Release of sums held pending Audit as claims now completed.
Insurance & Tax	Business Rates Equalisation	6,291,556	1,711,024	4,580,532	Release following latest review of income for 2017/18. Reserve due to be increase by £5.4m. Risk that insufficient resource to meet loss of rates income.
<b>Insurance &amp; Tax Total</b>		<b>20,878,401</b>	<b>11,979,869</b>	<b>9,080,532</b>	

Reserve Category	Brief Description	2017/18 Balance	Predicted Use	Amount to be released	Comments on released reserves
		£	£	£	
<b>Support</b>	Schools Traded Service	173,279	73,279	100,000	No longer required due to operation of company.
<b>Support</b>	HR Support Reserve	487,304	453,297	34007	Amount not required.
<b>Support</b>	One Stop Shop/Libraries IT Network	1,231,510	231,510	1,000,000	Future developments to be funded through capital programme enables release of the reserve.
<b>Support</b>	Home Loan Repayment	223,599	0	223,599	Funded through capital and follows from release of previous balance in 2016-17
<b>Support</b>	Trading Standards	42,250	28,188	14,062	Amount of reserve not now needed and can be released.
<b>Support</b>	Taxi Demand Survey	77,800	30,000	47,800	Survey expenditure anticipated to be less than amount held in reserve.
<b>Total</b>		<b>2,235,742</b>	<b>816,274</b>	<b>1,419,468</b>	

## **CHIEF FINANCIAL OFFICER STATEMENT**

### **SUMMARY**

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

### **BACKGROUND**

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

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

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

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

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

- Review by finance and operational staff involved in preparing the base budget and supporting information;
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure;
- Existing and future expenditure pressures are identified by reference to financial monitoring reports for 2017/18;
- Ownership by the Cabinet Portfolio Holder and Senior Leadership Team of proposed savings and their achievability;
- Identification of financial risks;
- The Section 151 Officer provided advice throughout the process;
- Consultation with the Members, public and groups as required;
- Accountable Managers identifying issues, projecting demand and considering value for money and efficiency;
- Ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both.

## **RELEVANT RISKS**

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

Risks in relation to the Revenue Budget and Capital Programme flow in part from the assumptions in the Annex and will be kept under review as part of the Financial Monitoring Reports to Cabinet throughout the 2018/19 financial year.

## **ROBUSTNESS OF THE REVENUE ESTIMATES**

The 2018/19 budget built on the process followed in 2017/18 including a process to identify, review and assess both growth and savings proposals. Portfolio Holders and Senior Officers both worked on the development, challenge and scrutiny of financial proposals. This saw the production of proposals which were subject to public consultation and review by Elected Members.

Cabinet agreed proposals in December 2017 to assist in the production of a balanced Revenue Budget for 2018/19. Savings have been grouped under Cabinet portfolio. These are formally concluded with the setting of Council Tax levels for 2018/19.

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

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

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



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

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

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

## **ROBUSTNESS OF THE CAPITAL PROGRAMME**

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

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

The main risks of the Capital Programme are:-

- The ability to deliver the Programme within the agreed timescales. The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2018/19 Programme;
- The future Programme includes new starts based on the availability of resources. There is a number of significant asset disposals planned and in today's climate, the capital receipts may be higher / lower than expected. The Programme includes the Transformation Programme funded from capital receipts placing increasing reliance upon timely delivery of receipts. A failure to materialise will have consequences on the availability of revenue funding.

## **ADEQUACY OF THE GENERAL FUND BALANCES AND RESERVES**

The recommended approach to determining the level of General Fund balances and reserves follows the guidance issued by Grant Thornton (the Council's External Auditor) and CIPFA (the professional organisation responsible for the Accounting Code). The Level of General Fund Balances for 2018/19 is referred to in the main report.

## **RESOURCE IMPLICATIONS**

In the Medium Term Financial Strategy and Council Budget 2017/18 report to Cabinet on 18 December 2017 the Budget Projection for 2018/19 indicated a shortfall between spend and resources of £61 million. The projected budget funding gap for the period 2019/22 is £76.2 million.

Cabinet considered savings options totalling £6 million for 2018/19 on 18 December 2017. This met the Forecast Funding Gap for 2017/18. These included a Council Tax increase of 2.99% and the 3% Adult Social Care Precept costs which are now subject to further consideration by Cabinet following the receipt of the Provisional Local Government Finance Settlement.

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



**CLLR JANETTE WILLIAMSON**

**CABINET**  
**19 FEBRUARY 2018**  
**TREASURY MANAGEMENT STRATEGY**  
**STATEMENT**  
**2018/21**

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

“Making sure the Council’s finances are well managed, and ensuring commercial opportunities are maximised to support services over the longer term, is vitally important.

“This report provides the Council with a well thought through, appropriate strategy for managing public resources in our borough.”

## **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 Ministry for Housing, Communities and Local Government (MHCLG) Investment Guidance.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

## **RECOMMENDATIONS**

1. That Members approve the Treasury Management and Investment Strategy for 2018/2021.
2. That the Prudential Indicators be adopted.
3. That Members approve the Council's Minimum Revenue Provision policy.
4. That the Council Officers listed within Appendix G, of the Strategy Statement, be authorised to approve payments from the Council's bank accounts for all treasury management activities.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATION/S**

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the MHCLG's Investment Guidance.
- 1.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) also places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options have been considered.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services 2011 (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Annual Investment Strategy (AIS) that is a requirement of the Ministry for Housing, Communities and Local Government (MHCLG) Investment Guidance (revised 2010). During 2017 CIPFA consulted to make changes to several Treasury Management Indicators. New indicators will be published in the TM Code Guidance Notes for Local Authorities, which will not be published until after CIPFA has considered MHCLG's planned new Investment Guidance for local authorities in England.
- 3.2 As allowed by CIPFA, this TMSS will be based on existing arrangements and will be revised to reflect any updated requirements, if known, via the 2018/19 Mid-year review. Changes need to be fully implemented from 1 April 2019.
- 3.3 This report fulfils the Authority's legal obligation under the Local government Act 2003 to have regard to both the CIPFA Code and the MHCLG guidance.
- 3.4 Wirral Council defines its treasury management activities as:  
  
*"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

- 3.5 The Council will create and maintain, as the cornerstones for effective treasury management:
- A Treasury Management Policy Statement (see Appendix A), stating the policies, objectives and approach to risk management of its treasury management activities.
  - Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 3.6 Treasury Management is about the management of risk. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk.
- 3.7 As per the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management Code of Practice. All treasury activity will comply with relevant statute, guidance and accounting standards.
- 3.8 The purpose of this Treasury Management Strategy Statement is to approve:
- Treasury Management Strategy for 2018/21.
  - Annual Investment Strategy for 2018/19
  - Minimum Revenue Provision (MRP) Statement
  - Treasury Management Policy Statement
  - Prudential Indicators for 2018/21.
  - Authorised Signatories for Treasury Management Activity
- 3.9 In accordance with the MHCLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or to the Authority's capital programme or in the level of its investment balance.

## **ECONOMIC BACKGROUND**

- 3.10 **The Economy:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

- 3.11 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.
- 3.12 In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.
- 3.13 **Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.
- 3.14 Bail-in legislation, which ensures that large investors including local authorities will contribute to failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.
- 3.15 The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.
- 3.16 **Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- 3.17 Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is

for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

## CAPITAL FINANCING REQUIREMENT

- 3.18 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's strategy will be to minimise and delay external borrowing where possible, through the utilisation of investment balances, sometime known as internal borrowing.
- 3.19 The Authority's current level of debt and investments are set out in Appendix B.
- 3.20 CIPFA's Prudential Code of Practice recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Authority has the ability to borrow in advance of need if circumstances dictate that there may be a benefit to the Council, see 3.77.
- 3.21 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

**Table 1: Balance Sheet Summary Analysis**

	31-Mar-18 Estimate £m	31-Mar-19 Estimate £m	31-Mar-20 Estimate £m	31-Mar-21 Estimate £m
Capital Financing Requirement (CFR)	347	366	369	359
Less: Existing Profile of Borrowing and Other Long Term Liabilities	227	216	210	205
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>120</b>	<b>150</b>	<b>159</b>	<b>154</b>
Usable Reserves	69	47	47	47
<b>Cumulative Net Borrowing Requirement</b>	<b>51</b>	<b>103</b>	<b>112</b>	<b>107</b>



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

### **BORROWING STRATEGY**

- 3.23 The Authority as at 31<sup>st</sup> December 2017 held £185 million of longer term loans, a decrease of £6 million from March 2017, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that in theory the Authority could need to borrow up to £150m in 2018/19. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £414 million, as per Appendix D, Table D.
- 3.24 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 3.25 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 3.26 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and/or short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Authority's Treasury Management advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.27 Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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

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

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

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

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

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

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

### **Type of borrowing**

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

### **LOBOs**

- 3.34 The Authority has £114m of exposure to LOBO loans (Lender's Option Borrower's Option) of which £104m of these can be called within 2018/19. A LOBO is called when the lender exercises its rights to amend the interest rate on the loan at which point the borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion. This refinancing risk is mitigated by the low interest rate climate, which has now been in existence for a number of years.
- 3.35 Any LOBOs called will be discussed with our Treasury Management advisors prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

### **Debt Rescheduling**

- 3.36 The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.
- 3.37 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. The lower interest rate environment has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities may arise. The rationale for undertaking debt rescheduling would be one or more of the following:
- Savings in risk adjusted interest costs
  - Rebalancing the interest rate structure of the debt portfolio

- Changing the maturity profile of the debt portfolio
- 3.38 The affordability, prudence and sustainability of borrowing plans will be regulated by a range of Prudential Indicators, which can be found in Appendix D.
- 3.39 Borrowing and rescheduling activity will be reported to Cabinet in the Annual Treasury Management Report and the regular treasury management reports.

### **ANNUAL INVESTMENT STRATEGY**

- 3.40 In accordance with Investment Guidance issued by the MHCLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments are important but are secondary considerations.
- 3.41 The Authority and its advisors continually assess economic and market conditions for signs of credit or market distress that might adversely affect the Authority.
- 3.42 **Negative Interest Rates:** If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 3.43 As at 31<sup>st</sup> December 2017, the Authority held £42 million of invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £33 million and £72 million. A similar range in investment level is expected in the forthcoming year, depending of the levels of grant received and the payment profiles.
- 3.44 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for funds that are available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

- 3.45 The Authority may invest its surplus funds with any of the counterparties shown in Appendix C, subject to the cash and time limits shown.
- 3.46 **Banks Unsecured Investments:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.
- 3.47 **Banks Secured Investments:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 3.48 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 3.49 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or as part of a diversified pool in order to spread the risk widely.
- 3.50 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.
- 3.51 **Pooled Funds:** Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts,

while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

- 3.52 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 3.53 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be minimised as part of daily Treasury Management procedures. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 3.54 **Other Organisations:** The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment.
- 3.55 **Risk Assessment and Credit Ratings:** The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

- 3.56 Where a credit rating agency announces that a rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 3.57 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 3.58 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected immediately in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 3.59 **Specified Investments:** The MHCLG Guidance defines specified investments as those:
- denominated in pound sterling,
  - due to be repaid within 12 months of arrangement,
  - not defined as capital expenditure by legislation, and
  - invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of “high credit quality”.
- 3.60 The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country

with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

- 3.61 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. If the Authority considers entering into any non-specified investments it will first seek the professional advice of its external advisor. Limits on non-specified investments are shown in Appendix C
- 3.62 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty are set to ensure prudent diversification is achieved.
- 3.63 **Investment Limits:** In order that the risk to the Authority’s finances is further minimised in the case of a single default, a group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers’ nominee accounts (e.g. King & Shaxson), foreign countries and industry sectors as referred to in Appendix C. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.
- 3.64 When calculating counterparty limits, the investment portfolio may be grossed up to include amounts that are being utilised by the Authority in lieu of borrowing (internally borrowed), as per the Authority’s external advisor.
- 3.65 **Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.
- 3.66 The Section 151 Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to Cabinet meetings.



- 3.67 **Non-Treasury Investments:** Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the MHCLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries.
- 3.68 Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.
- 3.69 The Authority's existing non-treasury investments are listed in Appendix B.

#### **OTHER ITEMS OBLIGED BY CIPFA OR MHCLG TO BE INCLUDED IN THE TREASURY MANAGEMENT STRATEGY**

- 3.70 **Derivative Instruments:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.
- 3.71 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 3.72 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 3.73 The local authority will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

- 3.74 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed regularly as part of the staff 'Performance Appraisal and Development' process and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by the Treasury Management Advisors and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.
- 3.75 **Investment Advisors:** The Authority continues to utilise an independent treasury advisor to provide the following services:
- Credit advice
  - Investment advice
  - Technical advice
  - Economic & interest rate forecasts
  - Workshops and training events
- 3.76 Following a competitive tendering process, Arlingclose Limited were awarded a contract to supply this advisory service for an initial three year period starting 1<sup>st</sup> April 2016, with the option to extend for up to a further two years. The Treasury Management Team within Finance monitor the quality of the service provided.
- 3.77 **Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
- 3.78 In 2018/19 the total amount borrowed will not exceed the authorised borrowing limit of £414 million as per Appendix D, Table D. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

## **INTEREST RATE FORECAST**

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

## **POLICY ON DELEGATION**

- 3.80 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance & Investment who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.
- 3.81 On a day to day basis the Treasury Management Team within Finance undertake the treasury management activities.
- 3.82 Decisions on short term investments and short term borrowings may be made on behalf of the Section 151 Officer by the Principal Accountant with the responsibility for investments or any other members of that team who are empowered to agree deals subject to their conforming to the Authority's Treasury Management Strategy and policies outlined in this report.
- 3.83 Actual authorisation of payments from the Authority's bank account will be made by those listed in Appendix G.
- 3.84 Decisions on long term investments or long term borrowings (i.e. for periods greater than one year) may be made on behalf of the Section 151 Officer by the Principal Accountant, or equivalent or the Senior Accountant, or equivalent on the Treasury Management function and will be reported to Cabinet.
- 3.85 All officers will act in accordance with the policies contained within this document.

## **PERFORMANCE MONITORING AND REPORTING**

- 3.86 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.
- 3.87 The Council will produce an Outturn Report on its treasury activity no later than 30 September after the financial year end.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 Approval and implementation of this strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

## **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 out of 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 This strategy report has been written in consultation with the Council's external treasury management advisors, Arlingclose Ltd. There has been no further consultation undertaken or proposed for this strategy report. There are no implications for partner organisations arising out of this report.

## **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising directly from this report

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## **APPENDICES**

- A. Treasury Management Policy Statement
- B. Existing Investment and Debt Portfolio Position
- C. Approved Investment Counterparties
- D. Prudential Indicators 2018/19 – 2020/21
- E. 2018/19 Minimum Revenue Provision (MRP) Statement
- F. Interest Rate Outlook
- G. Authorised Signatories

## **SUBJECT HISTORY**

<b>Meeting</b>	<b>Date</b>
<b>Treasury Management Strategy Statement 2017-18</b>	<b>20<sup>th</sup> February 2017</b>
<b>Treasury Management Mid-Year Report 2017-18</b>	<b>6<sup>th</sup> November 2017</b>

## APPENDIX A

### TREASURY MANAGEMENT POLICY STATEMENT

#### 1. Introduction and background

- 1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 1.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

#### 2. Policies and objectives of treasury management activities

- 2.1 The Council defines its treasury management activities as:
- "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is

therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

- 2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

## APPENDIX B

### EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	<b>Current Portfolio</b>
	as at 31 Dec 17
	£m
<b>External Borrowing (Long &amp; Short Term)</b>	
Public Works Loan Board	26
Local Authorities Temporary loans	58
LOBO loans	114
Other loans	46
<b>Total External Borrowing</b>	<b>244</b>
<b>Other liabilities:</b>	
PFI	46
Finance Leases	0
<b>Total Other Long-Term Liabilities</b>	<b>46</b>
<b>Total External Debt</b>	<b>290</b>
<b>Investments:</b>	
<i>Managed in-house</i>	
Deposits with Banks and Building Societies	16
Deposits with Money Market Funds	11
Deposits with other Public Sector Bodies	5
Deposits in Community Interest Companies	1
<i>Managed externally</i>	
Royal London	4
Payden Sterling Reserve	4
Columbia Threadneedle	1
<b>Total Investments</b>	<b>42</b>
<b>Net Borrowing Position</b>	<b>248</b>

Note – As at 31 December 2017 the Authority held one Non-treasury investment, a loan to a local company for service purposes with a value of £0.35m.



## APPENDIX C

### APPROVED INVESTMENT COUNTERPARTIES

#### Investment Limits

<b>Credit Rating</b>	<b>Banks/Building Societies Unsecured</b>	<b>Banks/Building Societies Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
<b>UK Govt</b>	n/a	n/a	£ Unlimited 50 years	n/a	n/a
<b>AAA</b>	£5m 5 years	£10m 20 years	£10m 50 years	£5m 20 years	£5m 20 years
<b>AA+</b>	£5m 5 years	£10m 10 years	£10m 25 years	£5m 10 years	£5m 10 years
<b>AA</b>	£5m 4 years	£10m 5 years	£10m 15 years	£5m 5 years	£5m 10 years
<b>AA-</b>	£5m 3 years	£10m 4 years	£10m 10 years	£5m 4 years	£5m 10 years
<b>A+</b>	£5m 2 years	£10m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
<b>A</b>	£5m 13 months	£10m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
<b>A-</b>	£5m 6 months	£10m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
<b>None</b>	£1m 6 months	n/a	£10m 25 years	£1m 5 years	£5m 5 years
<b>Pooled funds</b>	£10m per fund				

### Non-Specified Investments Limits

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

### Group Investment and Industry Sector Limits

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

## APPENDIX D

### PRUDENTIAL INDICATORS & TREASURY MANAGEMENT INDICATORS 2018/2019

#### 1. Background

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

#### Prudential Indicators

#### 2. Estimates of Capital Expenditure

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

**Table A:**

	2017/18	2017/18	2018/19	2019/20	2020/21
	Approved	Revised	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Expenditure	77,519	59,753	75,678	32,831	10,850

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

Capital Financing	2017/18	2017/18	2018/19	2019/20	2020/21
	Approved	Revised	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Unsupported Borrowing	35,121	25,031	34,701	17,427	5,030
Capital Receipts	17,677	13,802	14,162	0	0
Capital Grants	20,571	19,444	20,815	10,404	1,370
Revenue Contribution	150	926	0	0	0
Business Rates	4,000	550	6,000	5,000	4,450
<b>Total Financing and Funding</b>	<b>77,519</b>	<b>59,753</b>	<b>75,678</b>	<b>32,831</b>	<b>10,850</b>

#### 3. Capital Financing Requirement

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

**Table B:**

<b>Capital Financing Requirement</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
CFR	332	346	367	370	359

**4. The Operational Boundary**

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

**Table C:**

<b>Operational Boundary for External Debt</b>	<b>2017/18 Approved £m</b>	<b>2017/18 Revised £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Borrowing	424	421	404	391	372
Other Long-term Liability	58	60	58	56	54
<b>Total</b>	<b>482</b>	<b>481</b>	<b>462</b>	<b>447</b>	<b>426</b>

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

**5. The Authorised Limit**

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

**Table D:**

<b>Authorised Limit for External Debt</b>	<b>2017/18 Approved £m</b>	<b>2017/18 Revised £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Borrowing	434	431	414	401	382
Other Long-term Liabilities	63	65	63	61	59
<b>Total</b>	<b>497</b>	<b>496</b>	<b>477</b>	<b>462</b>	<b>441</b>

**6. Actual External Debt**

The Council's balance of Actual External Debt (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities) is forecast to be **£288m** at 31<sup>st</sup> March 2018. A breakdown of this figure is provided in Table E below. This Prudential Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

**Table E:**

<b>Forecast External Debt as at 31 March 2018</b>	<b>2017/18</b>
	<b>£m</b>
Borrowing	243
Other Liabilities	45
<b>Total</b>	<b>288</b>

**7. Ratio of Financing Costs to Net Revenue Stream**

The estimate for interest payment in 2017/18 is £11 million and for interest receipts is £0.2 million. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability. It highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meeting borrowing costs. The ratio is based on costs net of investment income.

**Table F:**

<b>Ratio of Finance Costs to net Revenue Stream</b>	<b>2017/18 Revised %</b>	<b>2018/19 Estimate %</b>	<b>2019/20 Estimate %</b>	<b>2020/21 Estimate %</b>
Ratio	6.4	7.22	7.62	7.74

**8. Incremental Impact of Capital Investment Decisions:**

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

**Table G:**

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2017/18 Revised</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Increase in Band D Council Tax	0.00	10.95	20.53	10.59

**9. Gross Debt and the Capital Financing Requirement**

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

The Authority had no difficulty meeting this requirement in 2017/18. In the short term this should still be the case but the margin significantly reduces if levels of internal borrowing are reduced. This view takes into account current commitments, existing plans and the proposals in the approved budget.

**10. Adoption of the CIPFA Treasury Management Code**

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

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

## **Treasury Management Indicators**

### **11. Maturity Structure of Fixed Rate Borrowing**

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

**Table H:**

<b>Maturity structure of fixed rate borrowing</b>	<b>Lower Limit 2018/19 %</b>	<b>Upper Limit 2018/19 %</b>
Under 12 months	0	80
12 months and within 24 months	0	50
24 months and within 5 years	0	50
5 years and within 10 years	0	50
10 years and over	0	100

### **12. Upper Limits for Fixed Interest Rate Exposure & Variable Rate Exposure**

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

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

**Table I:**

	2017/18	2017/18	2018/19	2019/20	2020/21
	Approved	Revised	Estimate	Estimate	Estimate
	%	%	%	%	%
<b>Lower Limit for Fixed Interest Rate Exposure</b>					
Borrowings	0	0	0	0	0
Investments	0	0	0	0	0
<b>Upper Limit for Fixed Interest Rate Exposure</b>					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100
<b>Lower Limit for Variable Interest Rate Exposure</b>					
Borrowings	0	0	0	0	0
Investments	0	0	0	0	0
<b>Upper Limit for Variable Interest Rate Exposure</b>					
Borrowings	100	100	100	100	100
Investments	100	100	100	100	100

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

### 13. Upper Limit for Total Principal Sums Invested over 364 Days

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

**Table J:**

	2017/18	2017/18	2018/19	2019/20	2020/21
	Approved	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
<b>Upper Limit for total principal sums invested over 364 days</b>	60	60	75	75	75



#### **14. Credit Risk**

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

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

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

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

## APPENDIX E

### 2018/19 MINIMUM REVENUE PROVISION (MRP) STATEMENT

- 1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's (MHCLG) Guidance on Minimum Revenue Provision most recently issued in 2012.
- 1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.
- 1.4 For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure based on the expected useful life of the relevant assets using an annuity method, (Option 3 in England and Wales). The annuity rate used in determining the charge is 2%, equal to the Bank of England's Monetary Policy Committee's rate of inflation target.
- 1.5 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset or as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the expenditure has been incurred.
- 1.6 For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 1.7 The Council, if it considers it prudent for a particular financial year, will set aside capital receipts to be offset by the matching MRP liability amount.
- 1.8 With regards to loans granted by the Council no MRP will be charged on them. The MRP will be equated to the principal repayment of the individual loans.
- 1.9 Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

- 2.0 The MRP Statement will be submitted to Council before the start of the 2018/19 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2018, the budget for MRP has been set as follows:

	<b>31.03.2018 Estimated CFR £m</b>	<b>2018/19 Estimated MRP £m</b>
Supported Capital Expenditure	172.5	3.0
Unsupported Capital Expenditure	88.0	2.6
Finance leases and Private Finance Initiative	45.4	3.0
Transferred debt	39.7	4.9
<b>Total General Fund</b>	<b>345.6</b>	<b>13.5</b>

## APPENDIX F

### Arlingclose's Economic and Interest Rate Outlook

#### Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

#### Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.

- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
<b>3-month LIBID rate</b>														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
<b>1-yr LIBID rate</b>														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
<b>Arlingclose Central Case</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.70</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.77</b>
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
<b>5-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>0.89</b>
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.55</b>	<b>1.36</b>
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.85</b>	<b>1.90</b>	<b>1.90</b>	<b>1.95</b>	<b>1.95</b>	<b>2.00</b>	<b>2.05</b>	<b>2.05</b>	<b>2.05</b>	<b>1.93</b>
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
<b>Arlingclose Central Case</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.75</b>	<b>1.80</b>	<b>1.85</b>	<b>1.90</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.95</b>	<b>1.82</b>
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

## **APPENDIX G**

### **AUTHORISED SIGNATORIES**

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

Director of Finance & Investment – Shaer Halewood

Senior Finance Manager – Peter J. Molyneux

Senior Finance Manager – Jenny Spick

Senior Finance Manager – Andrew Roberts

Senior Finance Manager - Peter McCann



**COUNCILLOR PHIL DAVIES**

**CABINET**  
**19 FEBRUARY 2018**  
**CAPITAL PROGRAMME**  
**AND FINANCING 2018/21**

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

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

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

**REPORT SUMMARY**

This report provides Cabinet with the draft Capital Programme 2018/21 for consideration and referral to Council for approval. It also includes information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts.

The 2018/21 Capital Programme represents a combination of schemes originally approved as part of the 2017/20 Programme, updated through the Capital Monitoring reports in 2017/18 and new bids for inclusion as detailed in this report.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

## RECOMMENDATIONS

1. That Cabinet agree and recommend to Full Council the Capital Strategy 2018/21 (Appendix 1) including the Flexible Use of Capital Receipts Strategy 2018/19 (Annex 2).
2. That the new bids as detailed in the first section of Appendix 3 totalling £19.7 million be approved for inclusion in the Capital Programme. This includes a sum of £0.7 million relating to additional project risk contingency in relation to the Dock bridges replacement scheme as detailed in paragraph 3.15 b.
3. That the bids totalling £3.7 million relating to the Leisure and Cultural Services Review (Appendix 3) are included in the programme for 2018/19 but are deferred to a later commencement date, on an individual basis, in recognition of an ongoing review.
4. That the bids totalling £4.6 million referred to the Council's Technical Design Authority (TDA) (Appendix 3) be included in the programme if they are approved by the TDA.
5. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority.
6. That Cabinet recommend to Council for approval the Capital Programme 2018/21 (as detailed in Appendix 4).
7. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangements.



## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

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

### **2.0 OTHER OPTIONS CONSIDERED**

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

### **3.0 BACKGROUND INFORMATION**

#### **CAPITAL STRATEGY**

- 3.1 The Capital Strategy provides the framework that enables the Council to work with partners and stakeholders to prioritise and effectively deliver the capital investment that contributes to the achievement of Council objectives. The Strategy is concerned with, and sets the framework for, all aspects of the Council's capital expenditure over the 3 year period 2018/19 to 2020/21 – its planning, prioritisation, management and funding. It is closely related to, and informed by; the Council's Asset Management Plan and is an integral aspect of the Council's medium term service and financial planning process as reflected in the MTFs. It is also essential that the strategy reflects the wider public and private sector investment into the overall improvement of the area. The Capital Strategy for 2018/21 is set out at Appendix 1.

#### **ASSETS AND CAPITAL GROUP (ACG)**

- 3.2 This Officer Group was re-established during 2013 to improve the co-ordination and management of the Capital Programme with its remit extended to include the Council's asset portfolio. The Group includes representatives from all Directorates and the Terms of Reference include:-
- Review of the Capital Strategy and policies relating to capital.
  - Review and recommend new schemes for inclusion in the Programme.
  - Manage the delivery of the approved Capital Programme.

## **CAPITAL PROGRAMME**

- 3.3 The Capital Programme details the schemes being undertaken over the medium term which help the Council achieve its objectives. It is aligned to the Wirral Plan and Medium Term Financial Strategy. It is reviewed, updated and considered by Council each year as part of the annual budget setting process.
- 3.4 Government announcements may include grant support for specific themes but other investment is based upon affordability. When determining previous programmes, where possible, schemes have been funded through generating capital receipts to minimise the need for borrowing. The Autumn Statement 2015 introduced an additional flexibility as receipts generated between 1 April 2016 and 31 March 2019 can be used to fund Transformation Programmes. This has recently been extended until March 2022 and is fundamental if the Council is to deliver its Transformation Programme. Any new schemes not funded by grant or capital receipts will be funded from borrowing which does generate a revenue cost.

## **NEW SUBMISSIONS**

- 3.5 In order to manage demand within the financial constraints there has to be a means to prioritise investment. Criteria have been developed to provide an initial assessment of any capital bids to ensure the Programme is either targeted to Council priority areas or fulfils statutory obligations. Individual bids are scrutinised by the ACG and form the basis for making recommendations to Cabinet as to which could be included in the Capital Programme.
- 3.6 The ACG challenged the justification and deliverability of the submissions (with the aim of reducing significant re-profiling of schemes and minimising the level of new borrowing required) prior to reviewing against the prioritisation criteria.
- 3.7 There were a number of bids relating to sports centres, parks and the Williamson Art Gallery. Pending the outcome of the current review of leisure and cultural services it is recommended that these schemes are deferred with the exception of certain works required to maintain the Art Gallery Museum Accreditation.
- 3.8 A number of I.T. schemes have been referred to the "Technical Design Authority" to ensure that there are no better alternatives, existing systems etc. that could produce the desired results. Again it is recommended that these are deferred for the moment.
- 3.9 It was agreed that 6 minor schemes totalling £0.278 million could be funded from within the existing corporate Planned Preventative Maintenance budget.
- 3.10 To cover the possibility that the schemes referred to in 3.7 and 3.8 are included in the programme at some future date the respective financing costs have been calculated and included in the Treasury Management budgets.

## **TRANSFORMATION PROGRAMME**

- 3.11 The Programme contains projects which are key to successfully delivering services differently over the coming years in the areas of Assets, Customers and Children's Services. This encompasses schemes which reduce demand and costs to the Council and public sector partners and / or generate savings in the delivery of public services. These can be achieved through such as service re-configuration or re-structuring or establishing Alternative Delivery Models. The Programme is funded through the flexibilities regarding Capital Receipts with the projects delivering future financial benefits which have been incorporated into the Budget 2018/19 and Medium Term Financial Strategy.
- 3.12 Within Children's Services this is to transform the quality of social work provision, leadership and performance for which additional capacity is required in order to safely manage the change and also ensure that intervention is at an earlier stage. This investment will decline in future years whilst delivering benefits through the management of future demand.

## **COMMERCIAL OPPORTUNITIES**

- 3.13 Within the programme there is £20 million to support the Strategic Acquisition Programme (SAP). This aids the key economic goals and aspirations set out in the Wirral Growth Plan and Strategic Regeneration Framework (SRF). A further £10 million was included within the 2017/18 programme.

## **WIRRAL WATERS INVESTMENT FUND**

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

## **2018/21 CAPITAL PROGRAMME**

- 3.15 The 2018/21 Capital Programme represents a combination of:-
- a) Schemes approved as part of the 2017/18 Programme and updated through the Capital Monitoring reports in 2017/18. The table below reflects the Quarter 3 position 2017/18.

**Table 1: Capital Programme (per Quarter 3, December 2017 monitoring report)**

<b>Analysis of Capital Programme</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Partnerships	21,266	18,640	5,495
Business Services	13,193	470	0
Adult Social Care	7,562	0	0
Children's Services	18,849	2,500	0
Corporate Resources & Reform	2,700	0	0
<b>Total Expenditure</b>	<b>63,570</b>	<b>21,610</b>	<b>5,495</b>
<b>Financing</b>			
Unsupported borrowing	23,089	10,470	0
Capital receipts	14,162	0	0
Grants	20,319	6,140	1,045
Business Rates (Ring fenced)	6,000	5,000	4,450
<b>Total Financing</b>	<b>63,570</b>	<b>21,610</b>	<b>5,495</b>

- b) New bids and additional requirements for consideration at this meeting. The emphasis has been to ensure that the bids support the delivery of the Wirral Plan and the 20 Pledges. Appendix 1 details the scoring criteria that provides assistance to the ACG when discussing these schemes. Appendix 2 provides a summary of each scheme. Additional funding is requested for the Dock Bridges replacement scheme the reasons for which are detailed below:

Works on site are expected to be complete by April 2018. The original total project estimate was £7.12 million. The Department for Transport (DfT) has contributed £6.4 million all of which will be spent by March 2018. A condition of the grant is that the Council 'underwrites' any overspend and there will be no additional funding provided. Council has previously agreed a £1.745 million capital contribution which together with £0.142 million from Peel Ports equals a current project budget of approximately £8.3m, which needs to cover all client support costs as well as the construction contract payments.

The construction contract is such that the Council pays the contractor's costs plus a fee for profit and overheads up to a 'target' price (tender sum plus any agreed quotation amounts for 'compensation events'). However, the Council has to pay all of the contractor's actual costs in providing the works, up to a capped liability limit representing the agreed target price plus half of the first 10% over that price. The current forecast target price is £7.8m. This is a result of agreed legitimate compensation events that are the employer's risk, including delays to the works as a result of underground obstructions and scope changes designed to ensure the new lift bridge is more resilient to future closures for its maintenance.

However, there are ongoing developing delays due to fabrication complications and bad weather which are likely to lead to the Contractor's costs exceeding the target, such that the Council will be liable for half of that 'overspend' up to the 10% limit. It is estimated that the overall project costs will now exceed the available budget by up to £420,000. However, given that the new lift bridge is yet to be installed and commissioned, it would be prudent to plan for further compensation events that may be at the employer's risk and may result in an even higher target price.

Consequently, it is recommended that a further £700,000 is provided from the Council's Capital programme for 2018/19 as additional project risk contingency. Any funding that is not ultimately required would be returned into the Council's Capital programme.

**Table 2: New bids/ additional requirements for inclusion in the Programme**

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Partnerships	4,879	7,543	2,761
Business Services	1,890	1,490	1,490
Adult Social Care	350	0	0
Children's Services	0	0	0
Corporate Resources & Reform	0	0	0
<b>Total</b>	<b>7,119</b>	<b>9,033</b>	<b>4,251</b>

- 3.16 The proposed Capital Programme combines Tables 1 and 2 together with an estimate for grant to be received for Schools Modernisation of £2.5 million in 2020/21. The detail can be found in Appendix 4.

**Table 3: Proposed Capital Programme 2018/21**

<b>Proposed Capital Programme</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Strategy & Partnerships	26,145	26,183	8,256
Business Services	15,083	1,960	1,490
Adult Social Care	7,912	0	0
Children's Services	18,849	2,500	2,500
Corporate Resources & Reform	2,700	0	0
<b>Total Expenditure</b>	<b>70,689</b>	<b>30,643</b>	<b>12,246</b>
<b>Financing</b>			
Unsupported Borrowing	29,712	15,239	3,926
Capital Receipts	14,162	0	0
Grants	20,815	10,404	3,870
Business Rates	6,000	5,000	4,450
<b>Total Funding</b>	<b>70,689</b>	<b>30,643</b>	<b>12,246</b>

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

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

### **CAPITAL RECEIPTS**

- 3.18 Available capital receipts at 1 April 2017 were £5.558 million. Tables 4 and 5 assume the proposed spend in Table 3 is agreed. Longer term projections can be updated as and when more information becomes available e.g. the interaction with the Property Company.
- 3.19 Additional flexibilities regarding the use of receipts were confirmed following the Chancellor’s Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019, excluding Right-To-Buy receipts, can be used to fund Transformation provided the Council has agreed a Transformation Programme setting out the projects, costs and deliverable benefits / savings. As mentioned earlier in this report, this is now extended until March 2022.
- 3.20 The Council’s asset portfolio is constantly under review in order to highlight those assets that Members may wish to consider for disposal, a critical decision given the funding of the Transformation Programme is reliant upon the generation of capital receipts. Tables 4 and 5 split the receipts based upon the flexibility arrangements.

**Table 4: Projected Capital Receipts for traditional capital schemes**

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Capital Receipts Reserve	2,604	1,984
Estimated receipts	632	550
Funding required	-1,252	-792
Closing Balance	1,984	1,742

- 3.21 The assumption for receipts in 2017/18 is predicated on the fact that the anticipated expenditure on the Transformation Programme of £12.550 million (including Children’s Services) is to be funded from allowable receipts generated in 2016/17 and 2017/18. Although the final receipt for the sale of Manor Drive will not occur until 2018/19 the Council under accounting rules is allowed to account for it, and has done so in 2017/18.

- 3.22 The receipt for Acre Lane will be over a 3 year period commencing 2018/19. Once the sale becomes a binding agreement accounting rules permit the total receipt to be accounted for in the first year.

**Table 5: Projected Capital Receipts for the Transformation Programme**

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Capital Receipts Reserve	2,954	-4,574
Estimated receipts	5,022	12,697
Funding required	-12,550	-13,370
Future Capital Receipts Required to be achieved	4,574	673
Closing Balance	0	0

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The proposed 2018/21 Capital Programme is a combination of the currently approved Capital Programme, new bids, additional requirements and estimated Children's grant. As the Programme stands this will require a maximum of £48.9 million unsupported borrowing from 2018/19 to 2020/21.
- 4.2 The revenue borrowing costs associated with any re-profiled schemes had already been included in the 2017/18 and subsequent revenue budgets and therefore do not represent an additional requirement.
- 4.3 The spend and funding of the Capital Programme are linked to Treasury Management. With the low interest available for investments the policy of temporary borrowing from positive internal cash flows has been continued. This policy, and the re-profiling of the Programme, defers the need for external borrowing delivering in-year savings but is not sustainable in the medium term.
- 4.4 As capital receipts will be used primarily to fund the Transformation Programme the net cumulative revenue impact of additional borrowing required to fund all the new bids, including those that it is proposed to defer, is:

**Table 6: Additional financing costs to fund new bids**

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Additional revenue cost	90	1,230	1,940	2,330

- 4.5 The Budget 2018/19 includes a reduction of £3.8 million in capital financing costs arising from changes in the Council's Minimum Revenue Provision policy. The 2018/19 Budget projections account for the above additional revenue costs as well as covering costs associated with the probability that

the process of internal borrowing will have to be reversed as reserves are reduced or when there are likely significant increases to interest rates. For 2018/19 the growth item of £1 million for borrowing costs is no longer required and has been factored into the 2018/19 revenue budget assumptions.

- 4.6 These projections might change during the year and the Programme and related Prudential Indicators will be updated accordingly.

## **5.0 LEGAL IMPLICATIONS**

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

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

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

## **7.0 RELEVANT RISKS**

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

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

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

## **8.0 ENGAGEMENT/CONSULTATION**

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

## **9.0 EQUALITY IMPLICATIONS**

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

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## APPENDICES

Appendix 1 – Capital Strategy 2018/19-2020/21

Appendix 2 – Scoring mechanism for assessing capital bids.

Appendix 3 – Summary of new capital bids 2018/21.

Appendix 4 – Proposed Capital Programme 2018/19 to 2020/21.

## SUBJECT HISTORY

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Capital Programme 2017/20	20 February 2017
Council – Capital Programme 2017/20	6 March 2017
Cabinet / Council - Capital Monitoring 2017/18	Quarterly reports

Overview and Purpose of the Capital Strategy

The capital strategy sets out the strategic direction for the Council's capital management and investment plans. It is an integral part of our financial and service medium-long term planning and budget setting process. It sets the principles for prioritising our capital investment under the prudential system.

Capital plays an important role in delivering long term priorities as it can be targeted in creative and innovative ways to meet, for example, the Council Plan which was approved by Council on 13 July 2015 and then adopted by all our strategic partners from the public, private and third sectors to create the first Wirral Plan. This is based on three priority areas, People, Business, Environment underpinned by 20 pledges defining outcomes to be achieved by 2020. Partners have committed to playing a lead role in achieving 8 of the 20 pledges.

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

The pressure on the Council's 2018/19-2020/21 revenue budgets does limit the scope for unsupported capital expenditure (that generate revenue costs) compared to schemes that generate revenue savings. This is evidenced by the fact that there are significant savings included in the financing costs budget for 2018/19 and all new borrowing costs will be funded within a reduced amount of budget provision.

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

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

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

## Influences on the Capital Strategy

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

### **Local Government Funding**

The three year period 2019/20 to 2021/21 sees the Council facing a continued, challenging financial future. The ending of the general Government Grant together with the pressures of demographic changes and inflation mean there is an anticipated funding gap of £76 million over the three years. In addition a budget gap of £63 million was identified relating to 2018/19. The 2018/19 gap has been closed through the implementation of a number of financial proposals including the generation of additional income.

### **Demand pressures**

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

### **Strategic asset management**

Capital and assets are two sides of the same coin and it is vital that our capital programme complements the Asset Strategy. This involves working closely within the Wirral Partnership to develop assets to deliver Wirral's 20 pledges. These include Wirral Chamber of Commerce, private investors, community and friends groups, and other public bodies such as Police, Fire, Ambulance and NHS. The Wirral Partnership has agreed a Wirral Growth Plan and the Council's leadership, engagement, influence, assets and capital investment will be vital to contribute to achieving the objectives of the plan.

Capital investment will also be vital to support the principles contained within the Wirral Asset Strategy. The principles are as follows:

- Delivering more integrated and customer focused services
- Creating Economic growth
- Generating capital receipts and income streams
- Reducing running costs

Wirral has established the "One Public Estate Group" bringing together all public sector bodies in the locality to work together in delivering a new approach to managing their land and property.

The Council has embarked upon a challenging Asset Transformation Programme. This involves the review of assets seeking to reduce costs of operational properties and maximise opportunities for generating returns from investment properties including, where appropriate, from capital receipts.

Additional flexibilities regarding the use of capital receipts were confirmed following the Chancellor's Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019, excluding Right-To-Buy receipts, can be used to fund Transformation subject to a suitable strategy being in place. This has now been extended to March 2022. Consequently there is an increased challenge to generate capital receipts. Our asset rationalisation and disposals policy must be rigorous in order to generate the necessary receipts. Inefficient properties must be turned into efficient ones or disposed of.

The Council has established the Wirral Growth Company. Subject to approval from members of a preferred joint venture partner and finalisation of setup arrangements, the company will become operational during 2018/19. The joint venture will bring substantial investment, sustainable income and employment opportunities into the local area over an initial 10-15 year period. A number of Council assets will transfer to the Growth Company (subject to best consideration being evidenced), thereby generating capital receipts, development profits and on-going income streams. A strategic acquisitions budget was established within the 2017/18 capital programme and this will complement the work and objectives of the joint venture.

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

### **Definition and Eligibility of Capital Expenditure**

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

Capital expenditure can fall into one of two main categories

#### **The acquisition, creation or installation of a new fixed asset.**

The Council must have the right to some future economic benefit. For the public sector this is broadly equivalent to saying the expenditure allows us to provide goods and services in accordance with our objectives.

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

Lengthening substantially the life of the asset; or

Increasing substantially the asset's market value; or

Increasing substantially the extent to which an asset can be used or the quality of its output.

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

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

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

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

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

### **Governance of the Capital Programme**

The Section 151 Officer is responsible for:

- The production of the Council's capital programme,
- The development of corporate prioritisation methodologies to assist the Council in determining the capital programme within defined resource limitations.

Directors are responsible for:

- The development, implementation and monitoring of the capital programme;
- Ensuring that the Cabinet is advised of the financial implications of all proposals and that these have been agreed by the Section 151 Officer;
- Ensuring that capital proposals have undergone a project appraisal in the form of a Business Case showing how the project meets Council objectives, how it will be managed, resource implications and expected outcomes.

Upon completion the proposals will be assessed by the Assets and Capital Group and a recommendation made to the Strategic Leadership Team (SLT) as to whether

they should be included in the capital programme, deferred or funded from other resources. Based on the SLT recommendation the proposed capital programme for 2018/19-20/21 will be submitted to Cabinet and finally to Budget Council for approval or otherwise.

During the year quarterly monitoring reports will be presented to Cabinet which will reflect latest expenditure, new resources allocations, re-profiling of schemes and virements between schemes to maximise delivery.

### **Financial Implications of the Capital Programme**

Over the last three years, including the estimated programme for 2017/18, Wirral will have spent on average £40 million per year on capital projects. The latest plans call for an investment of £113 million over the next three years. Out of this £49 million or 43% of the programme will be funded from unsupported borrowing. The estimated borrowing cost associated with this is £3.5 million by March 2022. This can be accommodated within the budget projections for Treasury Management. This is partly due to internal borrowing, the temporary use of cash flow monies arising from the Council's holding of earmarked reserves and balances to delay external borrowing which has been used to reduce interest costs.

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

- Minimum Revenue Provision – the amount we have to set aside each year to repay the loan and this is determined by the life of the asset associated with the capital expenditure; and
- Interest - costs incurred for the period of the actual loan.

For budgetary purposes the cost of borrowing has been assumed to vary between an average of 5% and 6%. Exact costs will depend upon the asset life associated with the particular capital investment and available interest rates.

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

The capital programme should support the overall objectives of the Council and the wider Wirral Partnership and act as an enabler for transformation of the Council's and Wirral Partnership's aims and priorities.

## **Sources of Capital Funding**

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

### **Borrowing**

By the end of March 2018 it is estimated that Wirral's long term borrowing will be in the region of £182 million. Based on the proposed capital programme the proportion of net debt costs will increase from 7.2% in 2018/19 to 7.8% in 2020/21. This is calculated as a percentage of the forecast net revenue budget over the next three years. The level of borrowing to fund the capital programme must take into account the revenue implications. The Prudential Capital Finance system allows Local Authorities to borrow for capital expenditure without Government consent provided it is affordable. Local authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.

As a guide, borrowing incurs a revenue cost of approximately 5.75% of the loan each year, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs to be satisfied that it can afford this annual revenue cost i.e. for every £1 million of borrowing our revenue borrowing costs are around £58,000.

For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure based on the expected useful life of the relevant assets using an annuity method, (Option 3 in England and Wales). The annuity rate used in determining the charge is 2%, equal to the Bank of England's Monetary Policy Committee's rate of inflation target.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset or as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the expenditure has been incurred.

### **Grants**

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

## Capital Receipts

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

## Flexible use of capital receipts

Additional flexibilities regarding the use of receipts were confirmed following the Chancellor's Autumn Statement 2017. Receipts generated between 1 April 2016 and 31 March 2022 can be used to fund Transformation provided the Council has agreed a Transformation Programme setting out the projects, costs and deliverable benefits / savings. The flexible use of capital receipts strategy for 2018/19 is set out at annex 2.

**Table 1: Projected Capital Receipts for traditional capital schemes**

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Capital Receipts Reserve	2,604	1,984
Estimated receipts	632	550
Funding required	-1,252	-792
Closing Balance	1,984	1,742

**Table 2: Projected Capital Receipts for the Transformation Programme**

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Capital Receipts Reserve	2,954	-4,574
Estimated receipts	5,022	12,697
Funding required	-12,550	-13,370
Future Capital Receipts Required to be achieved	4,574	673
Closing Balance	0	0

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

The Council's asset portfolio is constantly under review in order to highlight those assets that Members may wish to consider for disposal, a critical decision given the funding of the Transformation Programme is reliant upon the generation of capital receipts.



## **Revenue / Other Contributions**

The Prudential Code allows for the use of additional revenue resources within agreed parameters. There is no intention to fund capital from revenue for the foreseeable future.

## **Investment decisions and options appraisal**

The strategy requires a mechanism for determining the future capital programme. A pro-forma is issued to enable services to make new bids for inclusion in the Capital Programme 2018/19-2020/21. Upon return these will be reviewed by the Assets and Capital Group (ACG) for consideration by the Strategic Leadership Team (SLT). A capital programme report will be produced for Cabinet in February that provides an update on existing projects, a prioritised list of new schemes and includes comments on the resource implications. Cabinet will make recommendations to Council and it is Council which decides on the capital programme.

The schemes considered for inclusion in the capital programme include one or more of the following prioritisation criteria:

- Compliance with essential health and safety matters;
- Invest to Save;
- Pump priming schemes where grant funding might be available;
- Essential business continuity.

In order to aid the decision making process a scoring template is completed for each proposed new scheme. This is set out at Annex 1.

## CAPITAL PROGRAMME 2018/19-20/21

### SCORING MECHANISM FOR ASSESSING CAPITAL BIDS ANNEX 1

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

Capital Programme and Financing 2018/19-2020/21

Council on 5 March 2018 will agree the capital programme and financing 2018/19-2020/21.

**PROGRAMME TO BE INCLUDED AFTER IT HAS BEEN AGREED**

## CAPITAL PROGRAMME 2018/19-20/21

### Flexible Use of Capital Receipts Strategy 2018/19

### ANNEX 2

#### Background

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

The latest guidance by the Secretary of State directs that:

Authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure. Such expenditure must be incurred between 1 April 2016 and 31 March 2022.

#### Flexible Use of Capital Receipts Strategy 2018/19

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

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

#### Transformation Programme 2018/19

<b>Projects</b>	<b>Further Details</b>	<b>Cost £000</b>	<b>Benefit £000</b>
Children's Services	Funding for transformation of service and Improvement Plan to improve services and outcomes.	10,000	5,200
<b>Total</b>		<b>10,000</b>	<b>5,200</b>

## CAPITAL PROGRAMME 2018/21

## SCORING MECHANISM FOR ASSESSING CAPITAL BIDS

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

		Appendix 3			
Capital Bids/Additional Requirements for inclusion		2018-19	2019/20	2020/21	Total
SCHEME	Comments	£000	£000	£000	£000
Coastal Parking - New Style Pay & Display Machines	Invest to save and increased efficiency.	350			
Key Route Network (LGF3) - Operate Key Roads / Routes Efficiently	Health & Safety. Increased efficiency. 90% grant funded	329	2,293	361	2,983
LED street lighting - Replacement	Invest to save. £3.2m interest free Salix loan	1,490	1,490	1,490	4,470
Street Lighting Column - Replacement or Upgrade	Health & Safety. Increased efficiency.	2,000	2,000	1,950	5,950
Illuminated Lighting and street signage - upgrade / replace	Health & Safety	250	250	250	750
Major Infrastructure Development & Strategic Transport Forward Planning - Traffic Management	Health & Safety. Increased efficiency	200	200	200	600
Tower Road National Productivity Investment Fund - ease congestion / upgrade national or local networks	Health & Safety. Increased efficiency. 80% grant funded.	200	2,800	0	3,000
Highways Asset Management System - procurement of integrated system	Critical to ensure future grant funding (Incentive Fund assessment)	350	0	0	350
New Brighton - Traffic & Pedestrian Infrastructure, Services & CCTV for events	Health & Safety	250	0	0	250
Beach Cleaning - Replacement of equipment	Health & Safety	175	0	0	175
Hand Arm Vibration Equipment (Havmeter) - replace current equipment	Health & Safety	75	0	0	75
Heswall Day Centre - Roof replacement	Health & Safety	350	0	0	350
Public Toilets - Upgrade	Invest to save.	50	0	0	50
Williamson Art Gallery Refresh - to support accreditation	Reputational damage if Museum Accreditation lost.	100	0	0	100
Special Needs & Disabilities Assisted Travel - Replace Adult Fleet Vehicles.	Health & Safety. Maintenance of safeguarding standards.	250	0	0	250
Dock Bridges Replacement	To complete existing scheme	700	0	0	700
	<b>Total Capital Cost</b>	<b>7,119</b>	<b>9,033</b>	<b>4,251</b>	<b>20,403</b>

## Appendix 3 (continued)

## Capital Bids 2018-21 to be agreed relating to the leisure and cultural review

SCHEME	Comments	Total Scheme Estimate £000
Arrowe Country Park - New Machine Shed & Wash Bay	Various upgrades	200
Arrowe Country Park Depot: Re-Surfacing, Material Bays & Electronic Entrance Barrier	Various upgrades	200
Arrowe Park Golf Works Depot - Demolish & Replace	Depot not fit for purpose. Part health & safety.	250
Birkenhead Park Depot Resurfacing	Severe deterioration	164
Europa Pools Flumes	Replace to ensure sustainability. Health & Safety.	300
Hoylake Golf Works Depot - Demolish & Replace	Depot not fit for purpose. Part health & safety.	250
Play Area Improvements	Outdated facilities. Health & Safety.	790
West Kirby Concourse/Guinea Gap Reception upgrade / improve	Invest to Save	360
Williamson Art Gallery Refresh - apart from Accreditation	Maintain quality of exhibits	150
Wirral Tennis Centre - Facility Upgrade	Invest to Save	780
Victoria Park Depot Modernisation	Various upgrades	250
<b>Deferred Capital Bids 2018-21 referred to Technical Design Authority</b>	<b>Total Capital Cost of Deferred Bids (1)</b>	<b>3,694</b>
Creative & Digital Team - specialist software and hardware	Required to maintain efficiency of the Communications division.	48
CYPD Mobile Connectivity - Increase volume of Agile IT kit	Assist social worker case management work. Phase 2.	180
Digital Corporate Storage - upgrade & refresh technologies	Replace storage, networking and server infrastructure systems.	2,525
Williamson Art Gallery Documentation - replace system and document all assets	Insurance implications	136
CYPD Systems Improvements (Liquid logic) to support partnership working & performance review	Expand functionality	198
Digital Client Hardware - upgrade / replace all officer hardware	Linked to Windows 7 project.	1,500
<b>Deferred Capital Bids 2018-21 referred to Technical Design Authority</b>	<b>Total Capital Cost of Deferred Bids (2)</b>	<b>4,587</b>
<b>Overall Total of Deferred Bids 1 and 2</b>	<b>Overall Total of Deferred Bids 1 and 2</b>	<b>8,281</b>

PROPOSED CAPITAL PROGRAMME 2018/19 TO 2020/21

APPENDIX 4

	2018/19	2019/20	2020/21
SUMMARY	£000	£000	£000
<b>Overall Programme</b>			
Strategy and Partnerships	26,145	26,183	8,256
Business Services	15,083	1,960	1,490
Adult Social Care	7,912	-	-
Children's Services	18,849	2,500	2,500
Corporate Resources and Reform	2,700	-	-
<b>Total Programme</b>	<b>70,689</b>	<b>30,643</b>	<b>12,246</b>
<b>Funding</b>			
Unsupported borrowing	29,712	15,239	3,926
Capital Receipts	14,162	-	-
Grants	20,815	10,404	3,870
Business Rates (Wirral Waters only - ringfenced)	6,000	5,000	4,450
<b>Total Resources</b>	<b>70,689</b>	<b>30,643</b>	<b>12,246</b>



	2018/19	2019/20	2020/21
Strategy and Partnerships	£000	£000	£000
Growth Fund	580	-	-
Business Investment Grants	205	-	-
Eureka	248	-	-
Highway Maintenance	3,470	3,200	-
Sustainable Transport (STEP)	763	440	1,045
Investment in Properties	10,000	10,000	-
Wirral Waters Investment Fund	6,000	5,000	4,450
Coastal Parking	350	-	-
Key Route Network	329	2,293	361
Street Lighting Column Replacement	2,000	2,000	1,950
Illuminated Lighting and Street Signage	250	250	250
Major Infrastructure Development	200	200	200
Tower Rd National Productivity Investment Fund	200	2,800	-
Highways Asset Management System	350	-	-
New Brighton Traffic and Pedestrian Infrastructure	250	-	-
Special Needs and Disabilities Assisted Travel	250	-	-
Dock Bridges Replacement	700	-	-
<b>Total Programme</b>	<b>26,145</b>	<b>26,183</b>	<b>8,256</b>

	2018/19	2019/20	2020/21
<b>Business Services</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Building Refurbishment to Increase Occupancy	223	-	-
Cleveland St. Transport Depot	370	-	-
Cyber Security	562	-	-
Millennium Centre Re-modelling	80	-	-
Coast Protection	115	-	-
West Kirby Flood Alleviation	2,950	-	-
Park Depot Rationalisation	43	-	-
Transport Museum	77	-	-
West Kirby Marine Lake Integrated Accommodation	511	-	-
Leasowe Leisure Outdoor 3G	720	-	-
Aids, Adaptations and Disabled Facility Grants	3,939	-	-
Restore Empty Homes	298	-	-
Clearance	1,130	-	-
Home Improvements	958	470	-
New house building programme	217	-	-
Housing infrastructure fund	1,000	-	-
LED Street Lighting	1,490	1,490	1,490
Beach Cleaning Equipment	175	-	-
Hand Arm Vibration Equipment	75	-	-
Public Toilets Upgrade	50	-	-
Williamson Art Gallery Accreditation	100	-	-
<b>Total Programme</b>	<b>15,083</b>	<b>1,960</b>	<b>1,490</b>

	2018/19	2019/20	2020/21
<b>Adult Social Care</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Extra Care housing (learning disabilities)	3,000	-	-
Extra Care housing	3,000	-	-
Community Intermediate Care	500	-	-
Citizen and Provider Portal/Integrated I.T.	250	-	-
Assistive Technology	415	-	-
Pensby Wood Day Service Re-modelling	397	-	-
Heswall Day Centre Roof	350	-	-
<b>Total Programme</b>	<b>7,912</b>	<b>-</b>	<b>-</b>

	2018/19	2019/20	2020/21
<b>Children's Services</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PFI	85	-	-
Condition/Modernisation	4,685	2,500	2,500
School Re-modelling (Primary Places)	1,800	-	-
Basic Needs	1,609	-	-
Transformation Programme	10,670	-	-
<b>Total Programme</b>	<b>18,849</b>	<b>2,500</b>	<b>2,500</b>

	2018/19	2019/20	2020/21
<b>Corporate Resources and Reform</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Transformation Programme	2,700	-	-
<b>Total Programme</b>	<b>2,700</b>	<b>-</b>	<b>-</b>

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**CLLR BERNIE MOONEY**

**CABINET**  
**19 FEBRUARY 2018**

**SCHOOLS BUDGET AND FUNDING**  
**FORMULA CHANGES 2018/19**

**Councillor Bernie Mooney, Cabinet Member Children and Families, said:**

“The performance of Wirral schools continues to go from strength to strength. We committed in our Wirral Plan to do all we could to continue to support our schools and ensure that every child in the borough has the opportunity of a good education, and good career.

“Ensuring our schools have the resources in place to continue to improve and provide our young people with an excellent education is vital to the future of our borough.”

**REPORT SUMMARY**

This report sets out the Schools Budget for 2018/19 having been previously considered by the Schools Forum at their meeting on 17<sup>th</sup> January 2018.

The Schools Budget covers education provision for all Wirral Pupils aged up to 18 in Early Years, Primary, Secondary and academy schools and for some pupils up to the age of 25 in Special Schools and High Needs providers.

Most budgets are delegated to schools with some central provision for support services including school admissions and High Needs.

The report proposes a number of changes to the local funding formula for Schools to allow a transitional transfer to the National Funding Formula. There are also changes proposed to High Needs and Early Years funding.

The Schools Budget provides resources to support all children and young people pledges.

This matter affects all Wards within the Borough and is a Key Decision.

## RECOMMENDATION/S

Cabinet recommends the 2018-19 Schools Budget of £259,158,600 to Budget Council having taken account of the views and formula proposals from the Schools Forum that:

- i) That a Minimum Funding Guarantee of 0% for Wirral schools in 2018-19 is approved to provide additional protection and stability in funding, and to ensure that no school can lose pupil funding unless there is a reduction in pupil numbers.
- ii) That the continuing Contributions to Combined Budgets should be £875,600 in 2018-19.
- iii) That any remaining uncommitted Dedicated Schools Grant (DSG) reserves remaining at the end of 2017-18 are used as a contingency to support High Needs pressures in future years.
- iv) There should be a 0.5% top slice from the Schools Budget to support the outcome of the High Needs review.
- v) That the schools funding formula should be a transition formula introducing some elements of the National Funding Formula.
- vi) Headroom should be allocated evenly over all formula elements.
- vii) PFI within the schools funding formula should be increased in line with the contract inflation provision.
- viii) The unit value of the Looked After Children (LAC) element within the funding formula is reduced to take account of the increase in LAC Pupil Premium.
- ix) The following place changes are agreed from September 2018:
  - Birkenhead 6th Form College reduce by 8 places to 57
  - Wirral Met College to increase by 2 places to 119
- x) The base rate element of the Early Years funding formula is increased to pass an extra 2% of grant funding on to providers.
- xi) The SEN Support is redesigned including a traded service for some Hearing and Vision support in schools.
- xii) The Early Years funding formula is retained in its current format.

## SUPPORTING INFORMATION

### 1.0 REASON/S FOR RECOMMENDATIONS

- 1.1 The Council has a legal requirement to set a schools budget for the following financial year.

### 2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Forum considered a number of options when considering the Schools Budget with regard to transferring 0.5% of the Schools Block funding to the High Needs Block, and the make-up of the Schools local funding formula in light of the introduction of the National Funding Formula from April 2018. These are described in more detail in the report.

### 3.0 BACKGROUND INFORMATION

- 3.1 The Schools Forum were asked for their views on and approval of the Schools Budget for 2018/19 on 17th January 2018. The budget of £259,147,600 is for early years, maintained schools, academies, colleges and providers and is based on Dedicated Schools Grant allocations issued by the Department for Education on 19th December 2017, and a Council contribution to PFI costs of £990,300.
- 3.2 The format of the Dedicated Schools Grant (DSG) is changing in that 2018-19 will see the introduction of the National Funding Formula for Schools and High Needs following a lengthy discussion period and 2 national consultations.

In summary the main changes to DSG in 2018-19 are as follows:

- There will now be 4 funding blocks within DSG, with a new Central Schools Services Block.
- The National Funding Formula for Schools and High Needs will be introduced from April 2018, following their deferral from April 2017. This will be a 'soft' formula for 2 years, with the expectation of a 'hard' formula from 2020-21.
- The Schools block will be ring-fenced with limited flexibility to transfer up to 0.5% of the schools block to High Needs with Schools Forum approval.
- The Early Years block will include a full years funding for the 15 hour extension for working parents, which was introduced from September 17 and so only included a part year effect in 2017-18.
- The High Needs block will increase from £34m to £35m, an increase of £1m.
- A flexible Minimum Funding Guarantee (MFG) has been introduced to give Local Authorities discretion over the level of MFG in their local formula of up to +0.5%.

- 3.2.1 DSG allocations have been updated for changes in pupil numbers. Pupil numbers are those recorded in the October 2017 census. The primary roll is static having grown for the last 6 years. There has been a reduction in Early Years (3 and 4 year olds) of 5% resulting from a falling birth rate. This will now start to go through the primary sector.
- 3.2.2 Early Years funding is based on a combination of the census in January 2018 and January 2019. The dates for the Early Years Census mean that the exact DSG will not be finalised until June 2019. The grant used for the budget are based on the current

indicative figures (using the January 2017 census) and any known or anticipated changes after this date e.g. for increasing take up of the 15 hour extended offer.

3.2.3 The High Needs Block provides resources to fund high needs students aged 0 – 24, including the Hospital School. Additional funding has been provided to meet growing needs across all authorities. For Wirral an adjusted amount of £800k has been included for this. Growth can be used flexibly to make adjustments locally to high needs places as well as to the top ups provided. A number of changes are described later in this report.

3.2.4 The Blocks in their current format can be summarised as follows:

<b>Block</b>	<b>Adjusted Baseline £</b>	<b>Allocation £</b>	<b>Change £</b>	<b>Change %</b>	<b>Per Pupil %</b>
Schools Block	194,430,946	198,653,459	4,222,513	2.20%	1.60%
Early Years	19,046,337	20,923,922	1,877,585	9.90%	
Additional Early Years estimate		1,178,878			
High Needs	34,290,200	35,157,483	867,283	2.50%	
Central Schools	2,217,100	2,254,517	37,417	1.70%	
<b>Total</b>		<b>258,168,259</b>			

### 3.2.5 Schools Block £198.6m

This funding covers the delegated budgets to primary and secondary schools and academies only. Funding previously included in the schools block for budgets that are managed centrally on behalf of schools has now been transferred into the new Central Schools Services Block.

### 3.2.6 Early Years Block £22.1m

This Block funds the costs of Early Years Education for 2, 3 and 4 year old children in schools, nurseries and private voluntary and independent providers for both the universal and extended entitlement. Most of this funding is directed through the Early Years Single Funding Formula (EYSFF).

There are small elements covering SEN costs and some central Early Years support costs. Amounts held centrally are within the new nationally defined limits of 5%.

### 3.2.7 High Needs Block £35.2m

The make-up of this block is complex. It is based on the “place plus” funding system introduced by the DfE in April 2013 and includes:

- Special schools (pre and post 16), and non-maintained special schools, both of which receive a base level funding of £10,000 per place.
- School bases which receive £6,000 per place, reduced from £10,000 from April 2018, the difference being transferred into the schools block.



- Alternative Provision Bases and Emslie Morgan Academy funding of £10,000 per place.
- Place funding in Wirral's FE provision at Wirral Met College and Birkenhead 6th Form College of £6,000 per place.
- Additional funding over and above that provided for places in the form of "top ups" provided on a per pupil basis. The top up, or "plus" element of funding, takes account of the agreed assessed needs of pupils and is paid by the "commissioner" responsible; this may be Wirral Children's Services, a school or another Local Authority. Wirral's top up system uses 5 bands to allocate funding across special schools, resourced bases and alternative provision. Non-maintained Special Schools also receive a top up.
- The costs of Top Ups for all education and training for post 16 specialist provision for Learners with Learning Difficulties or Disabilities (LLDD) in colleges and private providers.
- The Hospital Schools budget.
- The cost of placements in Independent Special Schools.
- The costs of Education, Health and Care Plans / Statements.
- The central provision of SEN support.

### 3.2.8 Central School Services Block £2.3m

This block is introduced from April 2018 as part of the National Funding Formula, and provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England. Funding previously allocated to LAs for Education Services Grant (ESG) retained duties is included within this block, together with funding for historic commitments. The funding for ongoing responsibilities includes:

- Contribution to combined budgets
- Schools budget retirement costs from school closure
- School Licenses
- Admissions
- Schools Forum
- Former ESG retained duties
- Central PFI costs

The treatment of these budgets, which are considered in further detail later in this report, is in accordance with national guidance.

### 3.3 Academies

Currently there are 16 secondary academies, 6 primary academies and 1 Alternative Provision Academy – Emslie Morgan. Academies are independent from the local authority and are funded directly from the EFA, however Regulations require Wirral to continue to calculate their budgets which are deducted from Wirral's DSG. The total grant reduction for Wirral is estimated to be £84m in 2018-19.

### 3.4 Minimum Funding Guarantee (MFG)

The National Funding Formula provides a minimum 0.5% cash increase in pupil led funding in 2018-19 for every school compared with their baselines. Local Authorities now have discretion over the level of MFG in their local formula as part of the 'soft' formula. LAs are able to apply MFG of between minus 1.5% and 0.5% per pupil to protect schools from large formula changes, but giving Authorities the flexibility to

move towards the National Funding Formula whilst reflecting local circumstances where necessary.

It is expected that this arrangement will continue in 2019-20, with a further 0.5% cash increase per pupil.

The schools budget proposes a MFG of 0% for Wirral schools in 2018-19, which will provide additional protection and stability in funding. A 0% MFG ensures that no school can lose pupil funding unless there is a reduction in pupil numbers and enables more funding to be directed through the funding formula.

### **3.5 2018-19 Schools Budget savings**

There are no specific budget savings proposed as part of this Schools Budget report.

### **3.6 2018-19 School Budget Changes**

#### **3.6.1 Primary, Secondary and Academy Budgets £198.6m**

The significant changes within this area are:

- There is a net increase in school rolls, resulting in an overall budget increase of £0.8m. There are 166 more pupils on roll in October 2017 compared to October 2016. Primary numbers have reduced by 15 from 25,959 to 25,944 while Secondary numbers have increased by 181 from 17,289 to 17,470.
- There has been an increase in Business Rates payable of £97k resulting from inflation and the unwinding of transitional relief following last year's rates revaluation exercise.
- Reserve funding of £380k which has previously supported the schools budget is not included.
- The PFI Affordability Gap delegated to schools has been increased by the estimated cost of inflation - £95,000.
- £872k has been transferred for high needs places in special units attached to mainstream schools from the high needs block to the schools block, in line with the changes set out in the national funding formula consultation.
- There is Headroom within the budget, which arises from a difference in the pupil funding received in DSG and the funding allocated within the ISB. This totals £3.2m (1.6%) and has been split proportionately between primary and secondary budgets.

#### **3.6.2 6th Form Funding**

The Schools Budget includes funding for High Needs students in 6th Forms. All other post 16 funding is through the National Formula.

#### **3.6.3 High Needs Places £15.2m**

Places in specialist provision within Local Authority areas continue to be determined by each LA in consultation with schools and providers. There is flexibility to make adjustments so that places more broadly reflect take up by pupils and some place changes have been included in the budget.

Whilst there are in some schools pupils in excess of places in 2017-18 no clear trend has been identified. Therefore, with the exception of Further Education, the only changes are those agreed as part of the 2017-18 budget:

### **Full Year Effect of changes made in 2017-18**

- Claremount increase by 12 places to 216
- Townfield ERP increase by 1 place to 11
- Hilbre ERP increase by 15 places to 30
- Kingsway Academy ERP closure and reduce by 20 places
- Birkenhead Park closure and reduce by 10 places
- Emslie Morgan AP increase by 20 places to 100
- Birkenhead 6th Form College increase by 5 places to 65
- Wirral Met College increase by 45 places to 117

### **Changes from September 2018**

- Birkenhead 6th Form College reduce by 8 places to 57
- Wirral Met College increase by 2 places to 119

No changes are proposed for the Hospital school. Provision has been made however to recover the place funding for a pupil residing in a Welsh Authority.

### **3.6.4 Early Years £21.1m**

Early Years funding for 2018-19 will be based on census counts in January 2018 (5/12ths) and January 2019 (7/12ths).

Take up of the 2 year old offer has increased during the year, and is currently 92% of eligible children. Latest DfE estimates (November 2017) indicate that 1,261 children are eligible for 2 year old funding in Wirral, with a take-up target of 95% in 2018-19. Estimate DSG and expenditure budgets are therefore based on these numbers.

For 3 and 4 year olds the base rate in the local funding formula will increase by £0.08 to £3.68 from April 2018 as approved at December's Schools Forum, and provision for this has been included in the budget. This reflects the DfE requirement for Local Authorities to pass 95% of their three and four year old funding from Central Government to early years providers, an increase from 93% in 2017-18.

The January 17 census showed a falling roll for 3 and 4 years olds compared to the January 16 census, mirroring a drop in birth rates for the related period. At this time it has been assumed that there will be no change in the January 18 census, although this will be kept under review.

<b>Pupil numbers</b>	<b>January 2016</b>	<b>January 2017</b>	<b>Change</b>
2 year olds (FTE)	667	739	72
3/4 year olds (FTE)	3116	2960	(156)

2018-19 will be the first full year of the extended offer of an additional 15 hours for working parents. In Autumn 17, the first term of the extended offer, 290,000 extended hours, 37% of the Universal hours were claimed. Accounting for DfE's estimate that this proportion will ultimately be 60%, the 2018-19 budget is based on take incrementally increasing throughout the year with extended hours claimed in Spring 19 estimated to be 50% of universal hours claimed.

Disability Access Fund moves into its 2nd year following its introduction in April 2017. Take up has been slow in 2017-18. Assumed expenditure in 2018-19 will reflect DfE estimates.

### 3.6.5 SEN Top-ups £18.4m

The proposed budget for SEN Top-ups is £18.4m. There is an increase/growth within the High Needs DSG block of £0.8m as outlined above. The additional funding has been allocated to High Needs budgets as shown in the following table:

	Original Proposals £	Revised Proposals £
<b>DSG:</b>		
Adjusted baseline		34,290,200
Allocation		35,157,500
<b>Change</b>		<b>867,300</b>
<b>Commitments</b>		
Place changes	109,000	109,000
Home Tuition	50,000	50,000
Excluded Pupils – Financial regulations	100,000	100,000
Cease funding from Reserves	188,900	188,900
Funding for Alternative Provision	60,000	60,000
	<b>507,900</b>	<b>507,900</b>
<b>Additional Demands</b>		
Top Ups in schools and NMSS (net)		306,400
IPFA / EHCP increased numbers		85,500
Reduced contingency		(32,500)
		<b>359,400</b>
<b>Priorities</b>		
Inflation 0.5% across HN budgets	150,000	
Increase places where numbers are exceeded	220,000	
Increase Top Ups - CLD / SEMH in Schools	140,000	
- CLD / SEMH in Bases	120,000	
Increase Top Ups Alternative Provision	50,000	
	<b>680,000</b>	<b>0</b>
<b>Total</b>	<b>1,187,900</b>	<b>867,300</b>

Top-ups include maintained Special Schools and Bases, as well as Alternative Provision and Independent (non-maintained) Special Schools. While they have increased in Special Schools, both in terms of numbers and greater needs moving towards higher top-up bands, there is a reduction in the Independent Special Schools budget, which is based on 84 students (numbers in place in the Autumn 17 term). £60k budget is also included for the Progress School.

Place changes are described in paragraph 3.6.3 and include changes to College places from September 2018.

The £50k increase in the Home Tuition budget is supported by Schools Forum to ensure the service can meet its statutory requirements, while budget has been increased for Excluded Pupils to bring them in line with statutory guidance from September 2018.

The increase in budget for IPFA/EHCPs largely relates to Primary Schools but also includes a reduction in Nursing Support. Contingency budgets have been reduced to offset some of these pressures.

In total the High Needs budget is thought to be sufficient at this time taking account of the known commitments in the current year. However despite additional funding in the High Needs block there is still very little flexibility or means to fund priorities. Budgets will continue to be closely monitored and reviewed both by the Forum and the High Needs working group.

### 3.6.6 Central School Services

Budgets held for Contingency, Special Staff (maternity and trade union duties), the School Library Service, Insurance (Governors Aided), Behaviour Support, and FSM Eligibility have been delegated to schools. Schools Forum have de-delegated these areas so they can be held centrally. They have also de-delegated costs associated with former General Duties of the Education Services Grant and School Improvement.

The centrally held budgets for 2018-19, mainly funded by the new Central Schools Services Block include:

- The continuing premature retirement of teachers and staff that have arisen from closing schools (£60,000, unchanged from 2017-18).
- The cost of licenses for copyright and music in all schools and academies resulting from a national agreement (£233,100, an increase of £7,000).
- School Admissions (£372,200, and increase of £30,400).
- Contributions to combined budgets (£875,600, unchanged from 2017-18).
- Schools Forum (£10,600, unchanged from 2017-18).
- Early Years (£518,700, funded from the Early Years block and unchanged from 2017-18).
- Retained duties of the former Education Services Grant (ESG) (£730,000, unchanged from 2017-18).
- The Authority's contribution to the PFI Affordability Gap (£952,400, an increase of £215,900, funded by the LA).

### 3.6.7 Contributions to combined budgets

School Funding Regulations continue to allow contributions to support services that would otherwise fall outside the Schools Budget. These budgets combine with other council resources for the educational benefit of children.

There must be no new commitments or increases in expenditure from that agreed in 2012-13, and DfE expect that these costs will unwind over time. The combined budgets are:

<b>Combined budget summary</b>	<b>£</b>
Discretionary Rate Relief	106,600
School Improvement	330,000
LSCB	30,000
School Intervention	136,000
PFI – CLCs	68,500
LACES	140,500
PFI Support Team	61,800
Governors Forum	2,200

<b>Total</b>	<b>875,600</b>
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### 3.7 Education Services Grant

Schools Forum agreed on 17<sup>th</sup> January 2018 to de-delegate £500,000 on behalf of Maintained Primary, Secondary and Special Schools towards the full year costs of former ESG General Duties. This is to contribute to the cost of functions such as Internal Audit, some Asset Management costs, school redundancies, and other statutory duties. The estimated costs of these services per the 2017-18 Section 251 Budget Return are as follows:

<b>Estimated cost of ESG services</b>	<b>£</b>
Education Welfare	377,400
Asset Management	155,200
Statutory/Regulatory duties	1,029,500
Premature retirement/redundancy	128,300
Monitoring national curriculum assessment	64,540
<b>Total</b>	<b>1,754,940</b>
<b>Funded by:</b>	
School budget retained duties	730,000
General duties (de-delegation)	500,000
Council funded	524,940
<b>Total</b>	<b>1,754,940</b>

### 3.8 Use of Reserves

DSG reserves held total £1.9m, and were agreed as part of the year end accounts for 2017-18. The Schools Budget for 2017-18 is likely to use £0.6m of these as budgeted, leaving £1.3m. £0.65m of this is reserved for the costs of pay harmonisation, with small amounts being held for Early Years and the remaining closure costs of City Learning Centres. It is proposed that any remaining DSG reserves at year end are used as a contingency for High Needs pressures in future years.

### 3.9 Other Grant Funding

Pupil Premium provides funding targeted towards deprivation. Now in its eighth year rates remain largely unchanged, with the exception of Pupil Premium Plus for previously looked after children, which has increased by £400 per pupil. For Wirral Pupil Premium totals approximately £18m, although final allocations will be based on data collected in the January census for current numbers of Free School Meal's (and those over the previous 5 years) and LAC Census data collected in March 2018.

The grant for Universal Infant Free School Meals will remain at a meal rate of £2.30 per meal for the 2018-19 academic year.

The latest indications are that the SEND Implementation Grant, for which Wirral received £217k in 2017-18, will continue in 2018-19 although allocations are still to be confirmed.

The funding for Primary PE and Sport Premium, Year 7 Catch-up Premium, and Extended Rights to Home to School Transport will continue in 2018-19.

From September 2017 the transitional support for the Education Services Grant (ESG) ceased. The amount previously allocated for ESG Retained Duties (£730k for Wirral) was transferred into DSG in 2017-18 and is part of the Central Schools Services Block of DSG in 2018-19.

There is no replacement funding for the former General Duties rate of ESG. This results in an increased de-delegation requirement for education services to maintained schools that were previously funded by this grant (School Improvement, Education Social Workers, Premature Retirement Costs and other statutory duties).

### 3.10 INFLATION

Although the mainstream schools budget has received increased funding, there is no specific provision in the budget for pay awards. A 2% pay award for teaching and support staff is anticipated. The additional cost over and above any increase in budget allocations will need to be met from existing budgets.

There is no general provision for price inflation, although costs for school rates and PFI continue to reflect RPI increases.

### 3.11 CHANGES TO THE SCHOOLS FUNDING FORMULA

3.11.1 The Secretary of State confirmed details of the new National Funding Formula (NFF) for schools in September which will be in place from April 2018. The format of the formula remains largely unchanged from earlier consultation papers with a few important additions:

- At least a 0.5% increase per pupil for each school in 2018/19;
- At least £4,800 per pupil funding for each secondary school and £3,500 per pupil funding for each primary school by 2019/20, with a transitional amount of £4,600 and £3,300 in 2018/19;
- The overall schools' block funding provided to local authorities to be ringfenced, with some limited flexibility to transfer up to 0.5% out of the Schools Block to High Needs, subject to Schools' Forum approval.

3.11.2 Wirral remains responsible for agreeing the funding formula for schools until a "hard" formula is implemented, which is expected in 2020-21. During this intervening time the NFF will run alongside any local formula for schools. This "soft" period is seen by the DfE as a transition, giving LA's flexibility to move towards the NFF and may also protect against turbulence.

The LA is required to consult with schools on any proposals to change the local schools funding formula. In addition School Forum members must also be consulted on their views. A consultation was conducted and included the following proposals:

1. Retaining the local funding formula or a move to the NFF;
2. A revised MFG of 0%;
3. A reduction of the Looked after Children (LAC) factor to marry changes to the Pupil Premium;
4. Use of any "Headroom" monies;
5. Minimum funding amounts as described in 3.11.1;

6. High Needs Review and transfer of up to 0.5% of schools block funding in to the High Needs Block.
7. The priorities for High Needs funding
8. Changes in High Needs places
9. The redesign of some SEN support, the use of funding in schools (Element 2) for Hearing and Vision support from September 18, and the introduction of a traded service.
10. The services that should continue to be offered through De-delegation;
11. That the school budget adjustments in secondary schools are amended in line with statutory guidance for exclusions.

3.11.3 The consultation included a number of funding formula models to consider. These included moving directly to the NFF, retaining the current formula (both with and without a 0.5% transfer to the High Needs Block), and a transitional formula with some NFF elements.

On 13<sup>th</sup> December 2017 Schools Forum were unable to reach a consensus regarding the local Schools Funding Formula. Further information was requested, and the proposals were referred back to the Schools Formula working group for further discussion.

The initial findings from the High Needs Review were provided to this group, along with the costs needed to implement the changes. Whilst still subject to consultation and approval by Cabinet, Schools Forum on 17<sup>th</sup> January 2018 approved a 0.5% top-slice from the Schools budget of £1m. This top-slice will provide a source of pump-priming to increase resource base provision in schools. These initial plans will be reported to Cabinet in March.

3.11.4 Schools Forum also agreed a number of changes to the local funding formula as a transition to the new National Funding Formula. These include minimum funding amounts for 2018-19, a 0% MFG, a reduction in the Looked After Children element, and PFI elements being increased in line with the contract inflation provision.

It was the Schools Forum's view that de-delegated services, such as Schools Library Service, should continue to be offered as part of the schools budget in 2018-19 and that the funding to support former Council Education Services is maintained and increased.

### 3.12 **CHANGES TO THE EARLY YEARS FUNDING FORMULA**

The Early Years National Funding Formula was introduced from April 2017, and required local authorities to 'pass-through' 93% of funding received to Early Years providers. From April 2018 this increases to 95%. A consultation was issued to Early Years providers at the beginning of the autumn term. This was to seek views and comments from the sector on a number of areas, including the change to the overall pass-through rate, and a review of the existing funding factors in the local formula.

The consultation responses, and subsequently Schools Forum, agreed that the additional funding from the increased pass-through rate should be added to the base rate of the formula, which would increase from £3.60 to £3.68 from April 2018.

Agreement has also been reached on the introduction of revised Inclusive Practice Fund, which is open to all providers, and the introduction of monthly payments.



There was little support in the consultation for a change to the existing structure of the Early Years formula, and so School Forum's view is that the formula should be retained in its current form.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The budget for 2018/19 is compiled from the base budget for 2017/18 approved by Council on 6th March 2017 and updated for any issues identified in this report.
- 4.2 The projected Schools budget is £259,158,600 and is shown in appendices 1 and 2. This includes a Council contribution of £990,300

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 The Council is required to agree a Budget for 2018/19 and to inform Primary and Secondary Schools of their individual budget allocations by 28 February (Special Schools and Early Years providers by 31 March).

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

- 6.1 The Schools Budget makes some limited provision for staff providing support to schools, mainly within budgets for Special Education Needs and Disabilities. Most staff however are employed directly by schools where these decisions are made by governing bodies.
- 6.2 Schools continue to receive some funding for assets and ICT through Formula Capital Grant Allocations. Most asset funding is directed through the Council's Capital Programme and includes school schemes funded by capital grant allocations for Condition and Basic Need.

#### **7.0 RELEVANT RISKS**

- 7.1 There are increasing cost pressures in schools arising from additional costs from pay awards and inflation, which will not be met in their entirety from increased budget allocations, instead they will need to be found from efficiency savings. These cost pressures are causing significant difficulties for schools across the country and Wirral is no exception.
- 7.2 Reports to the Schools Forum indicate that a number of schools are facing deficit budgets. Action is being taken to address the position with those schools and governing bodies concerned.

#### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Consultations with Headteachers and governors have been carried out regarding changes to Schools, Early Years and High Needs funding formulae, and Schools Forum have supported the proposed budget.

#### **9.0 EQUALITY IMPLICATIONS**

- 9.1 The budget and proposals contained in this report are supported by an Equality Impact Assessment.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017-1>

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**APPENDICES** Appendix 1 – Schools Budget Changes 2018-19  
Appendix 2 – Schools Budget 2018-19

**SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Schools Forum – School Budget Report 2018/19	17 <sup>th</sup> January 2018
Cabinet – School Budget 2017/18	20 <sup>th</sup> February 2017
Schools Forum – School Budget Report 2017/18	18 <sup>th</sup> January 2017
Cabinet – School Budget 2016/17	22 <sup>nd</sup> February 2016
Schools Forum – School Budget Report 2016/17	13 <sup>th</sup> January 2016
Cabinet – School Budget 2015/16	10 <sup>th</sup> February 2015
Schools Forum – School Budget Report 2015/16	14 <sup>th</sup> January 2015

**Appendix 1 - Schools Budget changes 2018-19**

	<b>£'000</b>
Dedicated Schools Grant	258,168
Total Grant Funding	<u>258,168</u>
Schools adj base budget	171,653
Add back 17-18 Academy & High Needs	<u>79,691</u>
	<b>251,344</b>
<b>Change in ISB costs</b>	
Net rising rolls	799
Rates and rents	97
Remove reserve funding	(380)
PFI affordability gap increase	100
Headroom	3,227
Place funding income	(10)
High Needs places	109
Early Years DAF reduction	(3)
Early Years base rate increase	316
Early Years full year extension (3/4s)	2,811
Early Years falling roll (2s)	<u>(95)</u>
	<b>6,971</b>
<b>Changes in SEN / High Needs</b>	
Home Tuition increase	50
Independent Special Schools demand reduction	(70)
High Needs Contingency reduction	(33)
EHCPs / IPFAs - additional needs	106
Nursing support reduction	(21)
Statutory exclusions	100
Progress School	60
<b>Top-up numbers/bands:</b>	
EMA	(34)
Bases	20
Special Schools	465
Special Schools top-up income	<u>(65)</u>
	<b>579</b>
<b>Other changes in central costs</b>	
Increase PFI contracts (inflation)	227
Increase licence and subscription charges	7
Increase Admissions (managed moves)	<u>30</u>
	<b>264</b>
<b>Total Schools Expenditure</b>	<u><b>259,159</b></u>
<b>Net Schools Budget 2018-19 Council funded</b>	<u><b>990</b></u>

**Appendix 2 - Schools Budget 2018-19**

	<b>Adj Estimate 2017-18</b>	<b>Base Estimate 2018-19</b>
	<b>£</b>	<b>£</b>
<b>Individual Schools Budget</b>		
Primary	95,172,700	102,592,200
Secondary	20,884,800	96,061,300
Special	8,941,300	10,080,000
Wirral Hospital Schools	1,356,300	1,359,100
SEN Bases	1,580,000	1,468,000
Alternative Provision	0	1,000,000
6th Form / Further Education	0	1,308,000
Early Years	18,104,900	21,134,100
<b>Individual Schools Budget Total</b>	<b>146,040,000</b>	<b>235,002,700</b>
<b>Central School Costs</b>		
Early Years	518,700	518,700
Admissions	341,800	372,200
School Closure / Retirement Costs	60,000	60,000
Licenses and subscriptions	226,100	233,100
Schools Forum	10,600	10,600
Contribution to combined budgets	875,600	875,600
PFI Affordability Gap	1,551,100	963,400
Retained duties (ex-ESG)	730,000	730,000
<b>Costs delegated to / de-delegated from schools</b>		
Library service	191,700	0
Insurances	29,200	0
School Specific contingencies	100,500	0
Special Staff costs	676,400	0
School meals	19,700	0
Behaviour Support	84,200	0
School Improvement	101,600	0
General duties (ex-ESG)	291,600	0
<b>High Needs pupils</b>		
Statements	4,174,800	4,280,800
SEN top-ups	9,175,600	9,701,400
High Needs contingency	305,100	281,500
Independent Special Schools	3,770,000	3,700,000
Home Tuition	348,900	398,900
Support for SEN	1,971,500	1,971,500
Special School Transport	58,200	58,200
<b>Non-delegated school costs total</b>	<b>25,612,900</b>	<b>24,155,900</b>
<b>Total School and Central costs</b>	<b>171,652,900</b>	<b>259,158,600</b>
<b>Dedicated Schools Grant</b>	<b>(170,320,500)</b>	<b>(258,168,300)</b>
Use of Reserves	(568,900)	0
<b>Grand Total Council funded</b>	<b>763,500</b>	<b>990,300</b>



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