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WIRRAL

Cabinet

Date:	**Monday, 16 July 2018**
Time:	**10.00 a.m.**
Venue:	Committee Room 1 - Wallasey Town Hall

This meeting will be webcast at
https://wirral.public-i.tv/core/portal/home

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES

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

RECOMMENDATION: That the minutes be approved and adopted.

LEADER'S UPDATE

3. EXECUTIVE KEY DECISIONS TAKEN UNDER DELEGATED POWERS (Pages 1 - 10)

Key Decisions – taken under delegated powers. Period 25 May, 2018 (date of publication of last Cabinet agenda) to date.

- Decision Maker - Leader of the Council
  Liverpool City Region Combined Authority Devolution Funding: Households into Work Pilot

  Effective from 31 May, 2018

(Executive Member Decision Form attached)

- Decision Maker - Leader of the Council
  Liverpool City Region Enabling Powers to Raise Business Rates Supplements

  Effective from 25 May, 2018
  Not Subject to Call-In, decision made as a matter of special urgency due to the Government imposing a deadline for the constituent councils to give their consent by 29 May, 2018.
  (Executive Member Decision Form attached)

- Decision Maker – Cabinet Member Highways and Transport
  Wirral Road Safety Plan

  Effective from 19 June, 2018
  (Executive Member Decision Form attached)

- Decision Maker – Cabinet Member Environment
  Delivery of Environmental Enforcement Contract

  Decision called-in and due to be considered by Environment Overview and Scrutiny Committee on 17 July, 2018
  (Executive Member Decision Form attached)

CABINET MEMBER REPORTS

4. STREET LIGHTING INVESTMENT PROGRAMME (Pages 11 - 16)

5. QUARTER 1 BUDGET MONITORING REPORT - REVENUE (Pages 17 - 24)

6. QUARTER 1 BUDGET MONITORING REPORT - CAPITAL (Pages 25 - 42)

7. MEDIUM TERM FINANCIAL STRATEGY 2019/20 - 2022/23 (Pages 43 - 80)

8. FINANCIAL MONITORING OUT-TURN REPORTS 2017/18 (Pages 81 - 110)

9. TREASURY MANAGEMENT ANNUAL REPORT 2017/18 (Pages 111 - 130)

10. PUBLIC HEALTH ANNUAL REPORT 2018, WIRRAL (Pages 131 - 166)

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

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

12. EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC

The following items contain exempt information.

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

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

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

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EXECUTIVE MEMBER DECISION FORM

DECISION TO BE TAKEN BY: Leader of the Council

KEY DECISION: Yes

PORTFOLIO AREA: Growth

PORTFOLIOS AFFECTED: GROWTH

WARDS AFFECTED: All

SUBJECT: LIVERPOOL CITY REGION COMBINED AUTHORITY DEVOLUTION FUNDING: HOUSEHOLDS INTO WORK PILOT

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1. RECOMMENDATION:

1.1 The Leader of the Council is recommended to:

- Welcome the Liverpool City Region Households into Work programme secured as part of the Combined Authority Devolution Deal;
- Approve the approach to delivery as set out in this report;
- Authorise the Council to enter into a Co-location agreement with the Combined Authority in respect of the Council's local responsibilities for the programme;
- Accept the funds on behalf of the Council as outlined in the Co-location agreement, and
- Authorise the Director for Children to authorise any changes to the programme and where appropriate/in consultation with the Director of Governance and Assurance sign any future contractual agreements with the Combined Authority on behalf of the Council.

2. REASONS FOR THE DECISION

2.1 The Liverpool City Region Households into Work pilot programme provides added resource for Wirral, and the Liverpool City Region, to tackle issues relating to worklessness, specifically for those who are furthest from the labour market. The Households into Work programme supports delivery of the Wirral Plan.

3. STATEMENT OF COMPLIANCE

3.1 The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

4. DECLARATION OF INTEREST

4.1 None

Signed:	**Signed:**
Executive Member: CLLR. PHIL DAVIES	**Chief Officer:** STRATEGIC COMMISSIONER FOR GROWTH
Date: 18/5/18	**Date:** 18/5/18

A list of background papers on this issue is held with:

Contact Officer: Beverley Staniford
Date: 17 May 2018

Date of Publication:

Date of Expiry of Call-In Period:

EXECUTIVE MEMBER DECISION FORM

DECISION TO BE TAKEN BY: THE LEADER OF THE COUNCIL

KEY DECISION YES

PORTFOLIO AREA: LEADER

PORTFOLIOS AFFECTED: LEADER

WARDS AFFECTED: ALL WARDS

SUBJECT: AGREEMENT TOTHE LIVERPOOL CITY REGION SEEKING ENABLING LEGISLATIVE POWERS TO RAISE BUSINESS RATES SUPPLEMENTS

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1. RECOMMENDATION:

1.1. That the Council consent to the making of the Order by the Secretary of State to confer on the Liverpool City Region Combined Authority the powers as set out in the draft Order entitled The Liverpool City Region Combined Authority (Business Rate Supplements Functions) Order.

1.2. That delegated authority is given to the Chief Executive in consultation with the Leader to provide any necessary support required to complete the requisite legislation to fulfil this objective on behalf of the Liverpool City Region Combined Authority

2. REASONS FOR THE DECISION

2.1. The consent of each constituent authority within the area of the Combined Authority is required to the making of an Order by the Secretary of State, which if approved by Parliament would confer on the Combined Authority the powers in the Business Rates Supplements Act 2009 to levy business rate supplements. The Order would also provide for those powers to be exercised by the City Region Mayor. This decision has been made as a matter of special urgency due to the Government imposing a deadline for the constituent councils to give their consent by 29 May 2018.

3. STATEMENT OF COMPLIANCE

3.1 The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure.

3.2 This decision has been made as a matter of special urgency due to the Government imposing a deadline for the constituent councils to give their consent by 29 May 2018. The consent of the chair of the Business Overview & Scrutiny Committee has been obtained.

3.3 The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance and are compliant with equality legislation.

4. DECLARATION OF INTEREST

Signed: P.L. James **Executive Member:** CLLR. PHIL JAMES **Date:** 25/5/18. **Also present:**	**Signed:** [illegible] **Chief Officer:** L V SHAW DEPUTY MONITORING OFFICER **Date:** 25/5/18
Date of Senior Policy Team Meeting(s):	

A list of background papers on this issue is held with:
Contact Officer: Vicki Shaw
Date: 25 May 2018

Date of Publication:
Date of Expiry of Call-In Period:

EXECUTIVE MEMBER DECISION FORM

DECISION TO BE TAKEN BY: CLLR STUART WHITTINGHAM

KEY DECISION: YES

PORTFOLIO AREA: HIGHWAYS & TRANSPORT

PORTFOLIOS AFFECTED: HIGHWAYS & TRANSPORT

WARDS AFFECTED: ALL WARDS

SUBJECT: WIRRAL ROAD SAFETY PLAN

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1. RECOMMENDATIONS:

The Cabinet Member is requested to:

Approve the Wirral Road Safety Plan which supports the delivery of the Wirral 2020 Plan vision and demonstrates how Wirral will contribute to the overall vision as set out in the LCR Road Safety Strategy.

2. REASON/S FOR RECOMMENDATIONS:

Wirral Council and its partners are committed to improving road safety for all roads users. To support the delivery of the Wirral Plan we need to ensure that:

- people of all ages are able to travel safely by all modes of travel,
- we support and maximise the efficient movement of people and goods to support growth and investment - making our roads safer supports this by reducing collisions and associated delays,
- we enable people to travel safely using active modes such as cycling and walking to improve our environment and the health of our residents.

The development of a Wirral Road Safety Plan demonstrates our commitment to improving road safety to ensure we work to minimise the risks to all roads users in our Borough.

3. STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Deputy Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been completed. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

4. DECLARATION OF INTEREST

There are no conflicts of interest.

Signed:  **Executive Member: Cllr Stuart Whittingham** **Date: 4 June 2018** **Also present:**	**Signed:**  **Chief Officer: Mark Smith** **Date: 4 June 2018**
Date of Senior Policy Team Meeting(s):	

A list of background papers on this issue is held with:

Contact Officer: Julie Barnes
Date: 22 May 2018

Date of Publication:

Date of Expiry of Call-In Period:

Form Reference: Executive Member Decision Form May 2012 v 1.0

EXECUTIVE MEMBER DECISION FORM

DECISION TO BE TAKEN BY: CLLR MATTHEW PATRICK

KEY DECISION: YES

PORTFOLIO AREA: ENVIRONMENT

PORTFOLIOS AFFECTED: ENVIRONMENT

WARDS AFFECTED: ALL WARDS

SUBJECT: APPROVAL OF APPOINTMENT FOR A CONTRACT TO UNDERTAKE ENVIRONMENTAL ENFORCEMENT SERVICES

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1. RECOMMENDATIONS:

The Cabinet Member is recommended to

(i) Approve the appointment of Kingdom Environmental Services for the delivery of the Environmental Enforcement Contract for a period of 3 (three) years with the option to extend the contract (conditional) for a further 3 (three) years.

2. REASON/S FOR RECOMMENDATIONS:

Wirral is a beautiful place to live in and work and visit, having a fantastic and unique environment which people love to experience and enjoy. The vast majority of Wirral's residents are proud of the borough and want to do the right thing to cherish and protect the local environment. However there is a sizeable minority of residents and visitors who do not respect Wirral's environment and damage or defile it through irresponsible and illegal actions. Wirral Council has made a commitment through the corporate pledges set out in the Wirral Plan, to drive behaviour change and transform the relationship between residents and their local environment. The Council has demonstrated during recent years that it is serious about tackling environmental crime through enforcement action. The high profile deterrent created through the enforcement regime of the initial Environmental Enforcement Contract is regarded as a key element that will drive behaviour change over time.

The Council's first Environmental Enforcement Contract, which has been in place since the summer of 2015, has proven to be successful in tackling key environment crimes such as littering and dog fouling, with tens of thousands

of enforcement actions taken and a number of high profile public awareness campaigns delivered. The first contract has enabled the Council to commence the journey to drive behaviour change with some early signs that it is beginning to happen. The Council wishes to build on the initial work of the first enforcement contract by establishing the next contract, recognising that there is more work to be done over time and, through the deterrent of enforcement action, to achieve the behaviour change being sought.

The Council has also taken the opportunity when preparing the new contract to review environmental enforcement requirements and identify priorities moving forward. Therefore the scope and specifications of the new contract have been revised from those for the original contract to reflect identified priorities and requirements.

3. STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Deputy Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been completed. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

4. DECLARATION OF INTEREST

There are no conflicts of interest.

Signed:	**Signed:**
Executive Member: Cllr M Patrick	**Chief Officer: Mark Smith**
Date: 18 June 2018	**Date: 18 June 2018**
Also present:	
Date of Senior Policy Team Meeting(s):	

A list of background papers on this issue is held with:

Contact Officer: Andy McCartan
Date: 11 June 2018

Date of Publication:

Date of Expiry of Call-In Period:

Form Reference: Executive Member Decision Form May 2012 v 1.0

WIRRAL

 **COUNCILLOR STUART WHITTINGHAM** **CABINET MEMBER FOR HIGHWAYS AND TRANSPORT**	**CABINET** **16 JULY 2018** **STREET LIGHTING INVESTMENT PROGRAMME**

Councillor Stuart Whittingham, Cabinet Member for Highways and Transport, said:

"This investment is fantastic news for every Wirral resident. Through imaginative and ambitious thinking we are now in a position to confirm every single street lamp in Wirral – 27,000 individual columns – will be replaced with a new, energy efficient LED light.

This brings benefits which are almost immeasurable: it will help reduce crime, help people feel safer, make transport easier, attract investment and economic growth and create jobs. It is also much better for the environment, with the new lights providing more light while using less power.

This news has already been well received by residents and now I look forward to seeing the programme swing into action. This represents a £10 million investment in improving Wirral, it is a huge commitment and one which I know residents will welcome."

REPORT SUMMARY

This report seeks approval to accept a £4.6 million interest free loan from SALIX to deliver Phase 2 of an LED replacement programme to enable more than 27,000 street lamps to be replaced over a three year programme.

Approval is also requested to implement a procurement strategy, in accordance with Contract Procedure Rules, to enable this Phase 2 programme to be delivered. It is proposed that this strategy also includes the procurement of over 9000 life expired street lighting columns to be funded from £5.95 million of Council capital funding approved by Cabinet in March 2018.

Investment in street lighting infrastructure will enable the Council to move towards a modern, energy efficient and more reliable street lighting network that is fit for the future. This will support the delivery of the Wirral Plan Pledge to “ensure Wirral has safe, affordable, well maintained and efficient transport networks” and will also support the delivery of the Pledge to “ensure Wirral’s neighbourhoods are safe”.

This is a key decision and affects all Wards in the Borough.

RECOMMENDATIONS

Cabinet is requested to:

(1) Approve acceptance of a £4.6 million interest free loan from SALIX to deliver Phase 2 of the LED replacement programme; and

(2) Approve the implementation of the procurement strategy outlined in this report, in accordance with Contract Procurement Rules, to enable both the Phase 2 LED programme and the Street Lighting Column replacement programme to be delivered.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

Street lighting is an important element of the transport network because of the safety and confidence it brings to road users. Wirral Council is committed to improving the efficiency of its services and options provided by new LED technology enable the street lighting service to minimise future energy use and reduce carbon emissions. Investment in the infrastructure is required to ensure that the Council maintain a fit for purpose asset in accordance with nationally accepted asset management principles.

Phase 1 of the LED programme delivered in 2015/6 saw the conversion of 7,533 high energy sodium lamps replaced with Light Emitting Diode (LED) lighting. Phase 2 will see the conversion of more than 27,000 units.

This will result in all lamps in Wirral being replaced over the next three years and will result in all Wirral's lanterns being LED lights by March 2021.

2.0 OTHER OPTIONS CONSIDERED

Do nothing – this option has been rejected as the street lighting assets are in poor condition due to a lack of previous investment resulting in significant deterioration and subsequent high maintenance revenue spending. Lack of investment increases the Council's exposure to third party insurance claims. Public perception regarding street lighting provision and repair is poor.

3.0 BACKGROUND INFORMATION

In 2015/16 the first phase of the conversion of over 7500 high energy using street lights from conventional sodium discharge lighting to LED lighting was completed. The contract also extended the Council's existing street lighting central management system (CMS) to manage the operational functionality of these street lights to reduce long term energy costs through dimming and fault identification.

It was always the intention that further conversion phases were to be developed when value for money could be demonstrated however at that time the cost of LED lighting for the remaining asset was considered to be prohibitive and did not provide value for money.

During the last few years the cost of LED lighting has reduced significantly and in some cases by as much as 50%, depending on the unit type. This cost reduction, together with the development of pre-installed dimming equipment in each individual street light has made the installation of LED lighting considerably more affordable and value for money. The pre-installed dimming system reduces energy consumption by lowering lighting output between 11pm and 5am daily and this has negated the need to further extend CMS with all the associated installation and software support costs, which for this number of units would be substantial.

Phase 1 of the LED programme installed 7,533 lanterns, the remaining lantern asset to be completed under Phase 2 over a three year programme is 27,655 units. These units are mainly in residential areas and predominantly made up of high and low pressure sodium discharge lighting.

Retrofitting LED luminaires to replace these units will result in annual savings on maintenance through long term warranties, energy saving through dimming and better performing lighting sources, as well as carbon reduction through the removal of high energy consuming lighting sources.

Prior to consideration of LED Phase 2 an inspection of all 35,500 lighting columns was undertaken to determine whether the can accommodate the increased weight of the LED lanterns to avoid risk of column failure. Wirral's current street lighting column asset has been predominantly fabricated from concrete, cast iron, aluminium and steel, and also a few wooden columns still exist. Some columns are over 60 years old and a number of the non-galvanised steel columns are more than 40 years old.

The results of the inspection survey indicated that 2,782 columns required removal and replacement, with a further 6,454 being identified as suitable for sleeve or slip over, making a total of 9,235 defective columns. The sleeve and slip over option is only a short term repair and may result in replacement within a further 5 year period. As such this short term option was discounted and £5.95 million of Council capital funding was approved by Cabinet in March 2018 which will enable the removal and replacement of 9,235 street lighting columns.

SALIX is a government-led initiative allowing local authorities and other public bodies to borrow money on an interest-free-loan basis to carry out environmental improvements that lead to energy reduction. Given the high energy usage of the sodium lighting an application was submitted to SALIX for a £4.6 million interest free loan to support the Phase 2 of the LED replacement programme. Phase 2 will enable future energy use to deliver the street lighting service to be minimised and carbon emissions to be reduced. A business case was submitted to SALIX and in March 2018 the Council was notified that the application was successful.

The Council capital funding for the column replacement and the interest free loan secured via SALIX now enables a three year delivery programme of column and lantern replacement and will ensure that the Council has an efficient and fit for purpose asset.

4.0 PROCUREMENT STRATEGY

The Council will procure the services of a specialist consultant to prepare the specification of the new LED luminaires. This will be dependent on the classification of the road and based on the spacing between the existing street lighting columns. Through a process of soft market testing and evaluation in accordance with Wirral's Contract Procurement procedures a

replacement LED luminaire will be chosen and contractors will be invited to submit a tender for their installation. It is intended that the contract will be awarded to a sole contractor for the whole length of the installation programme.

In addition to the LED Phase 2 programme the three year programme of column replacement will also be added to this contract so that the contractor will be responsible for both elements of the installation contract.

Both the contract for the appointment of a consultant and the installation contract will be advertised on The Chest in accordance with procurement procedures. Following evaluation of the tenders it is proposed that the award will be made by the Leader of the Council.

5.0 FINANCIAL IMPLICATIONS

The delivery of the programme will be delivered using the following resources:

- £4.46 million of SALIX interest free loan. Salix is a government-led initiative allowing local authorities and other public bodies to borrow money on an interest-free-loan basis to carry out environmental improvements that lead to energy reduction

- £5.95 million of Council capital funding (approved by Cabinet March 2018)

Anticipated financial savings from reduced energy costs are as follows:

£200k – 2019/20
£300k – 2020/21
£200k – 2021/22

6.0 LEGAL IMPLICATIONS

The procurement strategy will be delivered in accordance with the Councils Corporate Procedure Rules. Given the value of the contracts this will be subject to OJEU.

7.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

The procurement of a consultant will be required to prepare the specification for the new LED luminaires. Following procurement procedures contractor will be identified for the installation works. Both the specification preparation and installation works will be overseen by existing Officers within the Delivery Services and Business Management Directorates.

8.0 RELEVANT RISKS

Appointment of contractor – this will be subject to contract procedure rules to ensure that the appropriate checks are in place.

Contract preparation – column and lantern inventory has been substantially updated over the past year. In accordance with procurement rules soft market testing regarding specifications and lantern types is well advanced.

9.0 ENGAGEMENT/CONSULTATION

No specific consultation has been undertaken however public perception of street lighting service is poor. Complaints from residents regarding failed units has increased significantly over recent years and this investment will enable an improvement programme which will ensure we have a fit for purpose lighting stock going forward.

10.0 EQUALITY IMPLICATIONS

Has the potential impact of your proposal(s) been reviewed with regard to equality?

Yes and impact review can be viewed here:
http://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments

REPORT AUTHOR: *Julie Barnes*
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APPENDICES
None

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Council - Approval of capital funding for column replacement	**5th March 2018**

WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **16 JULY 2018** **REVENUE MONITORING 2018/19** **QUARTER 1 (TO JUNE 2018)**

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

"The Council set a balanced, sustainable and fair budget in March 2018, despite significant government cuts and increasing demand for costly, specialist children's social care services. No additional funding from government has been forthcoming to support this national crisis. Setting the budget for 2018/19 under such difficult circumstances was tough but we continued to protect those services most important to our most vulnerable and target our resources to the areas that matters most to our communities.

Already during Quarter 1 we are feeling the extent of our reduced funding with pressures already mounting in some areas as demand continues to rise. We have a robust programme of recovery with intervention and demand management taking shape to ensure we can mitigate pressures in year.

At the end of Quarter 1 we are forecasting an overspend of 0.2% of the net budget. This is early and while cautious it is prudent to ensure we forecast a realistic representation, I am confident that the plans and restrictions we have in place will once again enable us to deliver a balanced budget for the coming year."

REPORT SUMMARY

This report sets out the projected revenue position for 2018/19 as at the end of Quarter 1 (30 June 2018).

The forecast outturn position as at the end of Quarter 1 is a potential overspend of £0.617m. It is anticipated that mitigating savings can be identified to offset the potential overspend, however as these are yet to be formalised, it is prudent to report an overspend position.

Since the 2018/19 budget was set in March 2018, there are several areas of significant pressure across the Council as a result of increasing demand and there is a robust mitigation programme in place to ensure these pressures do not materialise.

The report provides an update on the achievement of savings proposals for 2018/19, some of which are currently not being realised, however areas to offset these via other means are being explored so that the total savings target can be met by the end of the year.

In addition to formal Quarterly reporting to Cabinet, the budget position is reported monthly at Directorate Management Team meeting and the Strategic Leadership Team. This is to ensure any early warning highlighting pressures can be collectively resolved. The outcome of the quarterly monitoring and any medium to long term effects is fed into the Medium Term Finance Strategy to ensure the impact can be assessed against the council's future financial sustainability

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

RECOMMENDATIONS

1 The Quarter 1 forecast to the year-end of a £0.617m overspend which incorporates a number of adverse variances across the range of portfolios, be noted.

2 To note that Officers continue to identify actions and take measures to effectively manage the overall budget and reduce the impact of any adverse projected pressures that may result in overspends.

1.0 REASONS FOR RECOMMENDATIONS

1.1 The Council, having set a Budget at the start of the financial year, needs to ensure the delivery of this Budget is achieved. Consequently there is a requirement to regularly monitor progress so corrective action can be taken when required which is enhanced with the regular reporting of the financial position.

2.0 OTHER OPTIONS CONSIDERED

2.1 This is a monitoring report but any options to improve the monitoring and budget accuracy will be considered.

3.0 BACKGROUND INFORMATION

3.1 CHANGES TO THE AGREED BUDGET

3.1.1 The 2018/19 Budget was agreed by Council on 5 March 2018. There have not been any changes to the budget since it was agreed. The budget by Portfolio for the year is included below:

Table 1: 2018/19 Net Budget by Portfolio

	£000
Adult Care and Health	90,068
Children and Families	80,992
Environment	28,868
Finance and Resources	9,983
Highways and Transport	39,085
Housing and Planning	19,396
Jobs and Growth	1,107
Law and Order	4,398
Leader of the Council	8,891
Leisure and Recreation Services	17,732
Total Net Budget	**300,520**

3.1.2 For this report the budget has been analysed between the new Cabinet Portfolios confirmed at Council on 15 May 2018. Once the new Senior Management structure takes effect from 1 July, the following reports will be structured in this way.

3.2 PROJECTIONS AND KEY ISSUES

3.2.1 The projected Outturn position as at the end of June 2018 and Portfolio updates are detailed in the following sections.

Table 2: 2018/19 Projected Forecast Outturn

Portfolio	Revised Budget	Forecast Outturn	Variance £000	Variance %
Adult Care and Health	90,068	90,068	0	0
Children and Families	80,992	80,992	0	0
Environment	28,868	29,243	-375	-1.2
Finance and Resources	9,983	9,895	88	0.9
Highways and Transport	39,085	39,085	0	0
Housing and Planning	19,396	19,396	0	0
Jobs and Growth	1,107	1,107	0	0
Law and Order	4,398	4,398	0	0
Leader of the Council	8,891	8,891	0	0
Leisure and Recreation Services	17,732	18,062	-330	1.9
TOTAL	**300,520**	**301,137**	**-617**	**-0.2**

3.3 PORTFOLIO UPDATES

3.3.1 Adult Care and Health – Balanced

- Adult Social Care and Health are currently anticipating a demand pressures of £3m to the year end.
- The pre-agreed 4-year learning disability and mental health savings targets set in April 2017 aim to offset £2m of this pressure and a detailed project plan including arrangements for consultation and engagement where this is required, is being developed. To manage the range of complex projects, a Programme Lead Commissioner has been appointed, on a joint funded basis with the CCG to lead on the coordination and delivery of the efficiencies.
- The remaining £1m will be delivered through Wirral Community Foundation Trust, via a combination of existing packages of care reviews and an offer for appropriate levels of care in the community that will promote independence for service users.

3.3.2 Children and Families – Balanced

- The cost of Looked After Children (LAC) continues to present a pressure for the Directorate. The number of LAC has stabilised over the past 6 months with only a small number of new placements agreed. However, the increasing complexity of needs still represents a challenge in reporting a balanced budget.
- The investment provided in the 18/19 budget is taking shape with new practices embedded within the Directorate creating efficiencies and enabling reactive expenditure to be diverted to prevention.

3.3.3 **Environment – Overspend of £0.375 Million**

- Within the Waste & Environment contract a £0.4 million anticipated saving on establishment costs has not materialised and alternative areas are being explored and recovery plans being developed to offset the saving. The overspend is currently being offset by one-off underspends elsewhere within the Directorate and every effort is being made to mitigate this pressure for 2019/20.

3.3.4 **Finance and Resources– Underspend of £0.088 Million**

- An underspend of £0.5m is forecast on the cost of borrowing due to a lower than anticipated schedule for financing the capital programme. The programme however is not static and there could be further projects that require capital financing during the year. It is expected that any new projects are self-financing but as there is often a lead in time for benefits to be realised, there is a risk that this underspend could reduce in the event of any new major capital initiatives.

- The underspend is being offset in part by a pressure within the Council contribution to the Coroners Service which is part of a shared service hosted by Liverpool City Council. Dialogue will take place with Liverpool City Council to establish what plans they have for mitigating the pressures. Minor areas of underachievement of income from traded services is also offsetting the overspend.

3.3.5 **Highways and Transport – Balanced**

- The Portfolio is currently experiencing a pressure as a result of an underachievement of car parking income which is being offset by the management of Commissioning Support budgets to prioritise and streamline highway maintenance works. It is anticipated that this an in-year pressure that will be fully resolved in 2019/10.

3.3.6 **Housing and Planning – Balanced**

- Within the buildings service a potential overspend on rent and rates and other associated premises costs is currently being offset by efficiencies on plant, property and machinery expenditure and income receivable from Design Consultancy.

3.3.7 **Law and Order – Balanced**

- Community Safety is currently forecasting expenditure pressures that are anticipated to be offset by future restructuring proposals.

3.3.8 **The Leader of the Council – Balanced**

- A review of Communication, Marketing Press & PR budgets is being undertaken with a view to ‘right-sizing’ these budgets to offset historic income pressures. This will be undertaken by Quarter 2 and should alleviate any future pressures in this area.

3.3.9 Leisure and Recreation Services– Overspend of £0.33 Million

- The 2018/19 budget was predicated on the expectation that savings options relating to a more flexible work programme at Woodchurch and new football pitches would be fully achieved. However, continuing delays in the implementation of both of these projects will mean that not all these savings will come to fruition in 2018/19. Alternative areas to achieve these income targets are being explored with a view to offsetting the overspend by the end of the year.

3.4 IMPLEMENTATION OF SAVINGS

3.4.1 As part of the budget setting process for 2018/19 a range of savings options were agreed. These are monitored monthly to ensure their achievement is progressing. A summary of the position of 2018/19 savings at 30 June 2018 is below. It is anticipated that all savings either via the original proposal or via other means will be realised by the end of the year

Table 3: Savings Implementation 2018/19 (£000's)

Portfolio	Number of Options	Approved Budget Reduction	Amount Delivered at Q1	Mitigation	Unachivable awaiting mitigation	To be Delivered
Adult Care and Health	1	2,000	0	0	0	2,000
Children and Families	10	5,200	0	0	0	5,200
Environment	4	480	100	25	0	355
Finance and Resources	10	4,996	3,803	0	0	1,193
Highways and Transport	5	457	37	0	100	320
Housing and Planning	4	206	51	0	0	155
Law and Order	1	30	0	0	0	30
Leader of the Council	2	85	50	0	0	35
Total	**37**	**13,454**	**4,041**	**25**	**100**	**9,288**

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn for the Council for 2018/19. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is reported monthly at each Directorate Management Team and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

5.1 The entire report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114A to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

6.0 RESOURCE IMPLICATIONS; ICT, STAFFING AND ASSETS

6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 The possible failure to deliver the Revenue Budget is being mitigated by:

- Senior Leadership / Directorate Teams reviewing the financial position.
- Availability of General Fund Balances.

8.0 ENGAGEMENT/CONSULTATION

8.1 No consultation has been carried out in relation to this report.

9.0 EQUALITIES IMPLICATIONS

9.1 This report is essentially a monitoring report on financial performance.

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SUBJECT HISTORY

Council Meeting	Date
Budget Council	5 March 2018

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WIRRAL

CLLR JANETTE WILLIAMSON

CABINET

16 JULY 2018

CAPITAL MONITORING 2018/19

QUARTER 1 (TO JUNE 2018)

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

"We are making major investments in Wirral this year – improving infrastructure, the public realm and the local environment which residents are rightly proud of.

This report demonstrates this investment, it provides a helpful summary of our progress, and makes it clear that we are using the resources available to us to their best effect to improve services for local people."

REPORT SUMMARY

This report provides an update on the progress in delivering the Capital Programme 2018/19 at the end of June 2018. It recommends that Cabinet agree the 2018/19 Capital Programme of £86.4 million which takes into account re-profiling identified during the 2017/18 final accounts process together with any additional grant funding notified to the Council. Expenditure to date is £5.0 million.

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

RECOMMENDATIONS

1 To note the spend at Quarter 1 of £5.0 million, with 25% of the financial year having elapsed.

2 To approve additional funding for the 7 schemes referred to in paragraph 3.10.

3 To agree and refer to Council the revised Capital Programme of £86.4 million (Table 1).

4. To agree the additional grants detailed in section 3.1.2.

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

ORIGINAL AND PROPOSED CAPITAL PROGRAMME FOR 2018/19

3.1 The Programme for 2018/19 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 19 February 2018	74,561
Year end re-profiling for 2017/18	10,482
Additional grants and contributions	7,740
Additional requirements	1,142
Reduced requirements	(2,700)
Net re-profiling to 2019/20	(4,834)
Revised 2018/19 Programme	**86,391**

Table 1: Capital Programme 2018/19 at 30 June 2018

	Capital Strategy	Revised Programme	Actual Spend June 2018
	£000	£000	£000
Adult Care & Health	7,912	8,543	143
Children & Families	19,099	20,852	2,200
Environment	225	50	0
Finance and Resources	5,213	4,287	130
Highways & Transport	13,787	20,409	1,954
Housing & Planning	7,542	7,791	375
Jobs & Growth	16,785	18,697	0
Law & Order	0	83	38
Leisure & Recreation	3,998	5,679	117
Total expenditure	**74,561**	**86,391**	**4,957**

3.2 Followings reviews reported and agreed by the Investment and Change Board and the Technical Design Authority a number of schemes that were previously classed as deferred are now included in the Capital Strategy figure above.

These total £3.7 million. The other significant variances which have arisen since the Budget was set are shown in Table 2.

Table 2: Significant Variations (> £0.2m) to the 2018/19 Programme

Scheme	£000
Adult Care & Health	
Pensby Wood - re-profiling from 2017/18 £0.310m; additional requirement £0.172m.	482
Children & Families	
Primary Places - re-profiling from 2017/18	742
Healthy Pupils Fund - additional grant allocation	245
Special Educational Needs and Disabilities (SEND) - additional grant allocation.	206
Improvement Plan funded by the flexible use of capital receipts - re-profiling	1,100
Environment	
Cemetery extensions and improvements - re-profiling from 2017/18	226
Finance and Resources	
Windows 10 rollout - re-profiling - £0.1m carried forward from 2017-18 and £1.0m brought forward from 2019/20	1,100
Data Centre - re-profiling from 2017/18	339
Improvement Plan - originally to be funded from capital receipts but now from revenue	(2,700)
Fund to assist land assembly - re-profiling from 2017/18	246
Highways & Transport	
Bridges - re-profiling from 2017/18 £0.707m and additional grant notification £0.150m.	857
Dock bridges – re-profiling from 2017/18 £0.610m; additional private sector contribution £0.142m	752
Sustainable Transport Enhancement Programme (STEP) schemes - re-profiling from 2017/18	702
Transport for Growth - re-profiling £2.168m and grant confirmation £1.150	3,318
Street lighting and LED replacement - re-profiling from 2017/18	349
Transport Advisory Group feasibility studies - additional grant notification	245
BAMN Commercial settlement	305
Housing & Planning	(1,899)
Aids/adaptations/disabled Facilities Grants- re-profiling into 2019-20 £5.797m; grant confirmation £3.858m	2,011
Housing Zones Marginal Viability Fund (Northbank Wirral Waters) - grant notification	

Jobs & Growth	
Business Investment Fund - re-profiling from 2017/18	551
Investment in properties - re-profiling from 2017/18	1,156
Wirral Waters Investment Fund - re-profiling from 2017/18	205
Leisure & Recreation	
Soft Play Areas Leisure Centres - re-profiling from 2017/18	410
Beechwood Recreation Centre - additional requirement	430
Total	**11,378**

3.3 Schemes will be subject to an ongoing review to ensure that a deliverable Programme is in place, that they are compatible with the 2020 Vision and to try and identify any savings. Current progress on the more significant areas of spend to date is provided in the following sections.

3.4 **Adult Care & Health**

3.4.1 Work is continuing to remodel Pensby Wood with a further £0.13 million spent in 2018-19. Completion is expected early July.

3.5 **Children & Families**

3.5.1 Meadowside Special School (£0.172 million) - work has recently been completed on the construction of new hydrotherapy pool and changing facilities. The pool will be ready to use in July after having undergone a full commissioning process.

3.5.2 Heygarth Primary School (£0.050 million) - this project is part of the pupil place planning strategy that links to area regeneration. The project is due for completion in October 2018. It provides the school with two additional classrooms, internal re-configuration to two areas within the school, new resource spaces, and improved outdoor space.

3.5.3 Improvement Programme - £6.8 million has been committed in respect of the Children's Services allocation and £0.3 million in respect of HR and Legal. This commitment has been allocated across Children's Social care, Safeguarding, Quality, Performance and Improvement and Children with Disabilities as well as in Corporate Services. The funding will be used to improve social work practices and outcomes for children, reduce numbers of Children Looked After and establish a stable workforce and reduce reliance on agency workers.

3.6 **Highways and Transport**

3.6.1 Dock Bridges - a further of £0.5 million has been incurred in the first quarter in respect of the current replacement scheme. The bridge has now re-opened.

3.6.2 Sustainable Transport Enhancement Programme (STEP). Expenditure is focused on 2 significant schemes; Northbank East (£0.320 million) which will provide increased accessibility for pedestrians and cyclists to the Wirral Waters West Float development and increased attractiveness of the area for businesses and investors; The Croft Retail Corridor (£0.114 million) which will also improve accessibility for pedestrians and cyclists, including improved safety for cyclists through the provision of an off road route.

3.6.3 Transport for Growth - expenditure has been incurred on 4 schemes to date, by far the most significant being the improvements to the junction of the M53 and A554 (£0.112 million).

3.6.4 Grant funding of £0.563 million is available to fund pothole repairs. There is a risk-based approach to decisions on maintenance interventions, having regard for both public safety and budget availability. Dangerous potholes are treated as a priority for action. A number of different techniques are applied in an effort not to just to repair individual potholes, but also to prevent them occurring again. These works have either already started or are scheduled to begin in the coming weeks. By the end of October it is estimated that 75% of the budget will have been spent on repairs, with the remainder being spent by March 2019.

3.7 **Housing & Planning**

3.7.1 The largest areas of spend so far this year relate to Aids, Adaptations and Disabled Facilities Grants (£0.2 million) and Home Improvements (£0.12 million). The Council has received a further grant allocation of £3.8 million for 2018/19. The most realistic estimate is that we will process applications of £2 million therefore the balance of £1.8 million together with unused grant at the beginning of the year will be available in 2019/20.

3.8 **Jobs & Growth**

3.8.1 Within the Programme is an allocation of £11.1 million for investment in properties. This is closely linked to the progressing Wirral Growth Company and is intended to fund potential acquisitions which will, in turn, provide a revenue income stream to the Council.

3.9 **Leisure & Recreation**

3.9.1 The various works required at the Transport Museum have been completed this year. These were the creation of a new entrance hall, reception area, shop, café and kitchen alongside improved museum display areas. The facility is also now DDA compliant.

3.10 APPROVAL FOR ADDITIONAL FUNDING

3.10.1 There are seven new schemes to be considered for inclusion in the 2018/19 programme

3.10.2 **Pensby Wood fit out costs (£172,000)**
Discussions have previously taken place at the Wirral Evolutions Project Board regarding the need for additional capital investment in the form of specialist equipment to complete the fit out at Pensby Wood. This will enable those individuals with physical and learning disabilities to fully utlilise the potential offered by this redesigned facility.

3.10.3 **Beechwood Recreation Centre (£430,000)**
In order to ensure that the centre would be fit for purpose a condition survey had previously been undertaken which identified a number of additional works that would be required. These included re-roofing, upgrading the electrical infrastructure, alterations to and renewal of boilers and renewal of the showers.

3.10.4 **Frankby Cemetery Extension (£90,000)**
Additional work has been required to renew the access track to the depot and out of the cemetery. Ground conditions and drainage issues have proved to be worse than anticipated. Environmental issues resulted in the need to install over 200 metres of fencing which was not part of the original scheme. This extension is necessary as the current cemetery is running out of capacity.

3.10.5 **Floral Pavilion Audio Mixing Desk Replacement (£35,000)**
The current mixing desk is a valued resource for users in order to deliver high quality performances. It enhances the overall offer to potential customers and results in attracting a large market with an income of £2.2 million. The console is 11 years old and displaying potentially critical faults which could result in complete failure resulting in a possible loss of income. The manufacturer will no longer provide a support and repair package after September 2018 and therefore its replacement is the only feasible option.

3.10.6 **BAMN Commercial Settlement (£305,000)**
As part of the BAMN commercial settlement, which is currently being negotiated, there are a number of capital costs which will need to be funded. In the main these relate to depot premises, including value of upgrades that BAMN have undertaken, all equipment at the engineering workshop at Cleveland St, street lighting HIAB vehicle and a gully cleansing vehicle.

3.10.7 **Floral Pavilion Chiller Unit (£55,000)**
The main chiller unit had failed to the point that unless immediate action was taken with regards to undertaking large scale replacement of major components, the theatre would have to close due to the building becoming too hot, with no air control. Closing the building would cause severe financial loss with potential claims for cancellations, notwithstanding the reputational damage.

3.10.8 **The Oval Grandstand Structural Works (£55,000)**
Essential health and safety works are required.

3.11 **NEW GRANT ALLOCATIONS**

3.11.1 Since the budget was agreed a number of additional grants have been made available to the Council. Details are below and Members are asked to note these for inclusion in the capital programme

3.11.2 **Housing Zones Marginal Viability Fund (£6,004,000)**
The Council has successfully secured £6 million in government funding which will be used for a package of infrastructure works including land remediation, public realm works and utilities provision at Northbank, Wirral Waters. The funding will bring forward 5 housing development parcels within Wirral Waters including the 3 sites at Northbank East and 2 sites at Northbank West. The funding will support the delivery of 1,106 units, for which planning permission has already been secured in 2012. There are delays in the Government finalising the funding offer so it is not possible to give an accurate profile of when the funding will be released. The latest estimate is 2018/19 £2 million, 2019/20 £2.6 million, 2020/21 £1.4 million.

3.11.3 **Healthy Pupils Capital Fund (£245,000)**
This fund is intended to improve children's and young people's physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions.

3.11.4 **Transport Advisory Group Feasibility Fund (£245,000)**
Funding to undertake transport studies to support the delivery of the Connecting Wirral Transport Strategy and the Wirral Growth Plan. Specifically the grant relates to the A41 corridor, Saughall Massie infrastructure improvements and Wirral Waters Gateways infrastructure.

3.11.5 **Special Educational Needs and Disabilities (£206,000)**
To enable local authorities to invest in new places and improvements to facilities for pupils with education, health and care (EHC) plans in mainstream and special schools, nurseries, colleges and other provision.

FINANCING OF THE CAPITAL PROGRAMME

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

Table 3: Revised Capital Programme Financing

Capital Programme Financing	Capital Strategy	Revised Programme
	£000	£000
Borrowing	33,584	45,306
Capital Receipts	14,162	11,806
Grants	20,815	23,074
Business Rates (Wirral Waters - ring-fenced)	6,000	6,205
Total Financing	**74,561**	**86,391**

3.13 Any re-profiling that reduces borrowing will produce one-off revenue savings. A permanent saving only occurs if schemes cease, otherwise the full budget will be required in 2019/20 when the re-profiled expenditure is incurred.

PROJECTED LONGER TERM CAPITAL PROGRAMME

3.14 Funding for the 2018/19 to 2020/21 Programme is in Table 4. This reflects the 2018/19 Capital Programme agreed by Cabinet on 19 February 2018 with subsequent amendments for re-profiling, revised grant notifications, approval for previously deferred schemes and additional requirements.

Table 4: Capital Programme Financing 2018/19 to 2020/21

Capital Programme Financing	2018/19 Revised Programme	2019/20 Programme	2020/21 Programme	Total Programme
	£000	£000	£000	£000
Borrowing	45,306	16,515	4,226	66,047
Capital Receipts	11,806	-	-	11,806
Grants	23,074	18,806	5,295	47,175
Business Rates (Wirral Waters - ring-fenced)	6,205	5,000	4,450	15,655
Total Financing	**86,391**	**40,321**	**13,971**	**140,683**

SUPPORTED AND UNSUPPORTED BORROWING AND THE REVENUE CONSEQUENCES OF UNSUPPORTED BORROWING

3.15 Based on current cost, £1 million of Prudential Borrowing would result in additional revenue financing costs of approximately £62,000 per annum in the following year. As part of the Capital Strategy 2018/19 to 2020/21 the Council has included an element of Prudential Borrowing and presently there is £66 million included over the three years, which will result in approximately £4.0 million of additional revenue costs as detailed at Table 5.

Table 5: Unsupported Borrowing Forecasts & Revenue Costs

	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
New Unsupported Borrowing Cumulative	45,306 45,306	16,515 61,821	4,226 66,047	0 66,047
Annual Revenue repayment costs Cumulative	500	2,990	3,880	4,095

CAPITAL RECEIPTS POSITION

3.16 In accord with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2022 can be used to support Transformation. This has been reflected in the Capital Programme for 2018/19 and in the associated receipts assumptions for 2018/19.

3.17 The Capital Programme is partly reliant on the generation of receipts to finance future schemes. Available receipts at 1 April 2018 were £1.67 million with £0.97 million available to fund the Transformation Programme and £0.7 million to fund the ongoing Capital Programme. The table assumes 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

	2018/19	2019/20
	£000	£000
Capital Receipts Reserve	1,672	2,266
In - Receipts Assumption	12,400	N/A
Out - Funding assumption	-11,806	N/A
Closing Balance	2,266	2,266

3.18 The assumption for receipts in 2017/18 is predicated on the fact that the Transformation Programme of £11.1 million (Children's Services) is to be funded from allowable receipts generated between 2017/18 and 2021/22. Critical to this assumption is the disposal of Council assets such as Acre Lane. If the anticipated receipts do not come to fruition, this will cause a subsequent revenue pressure of £9.6 million.

4.0 FINANCIAL IMPLICATIONS

4.1 The revised 2018/19 Capital Programme is £86.391 million and anticipated capital receipts remaining at the year-end £2.26 million.

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 providing external support to maximise the Council's income and advise on strategy.

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 2018/19
Appendix 2 – Capital Receipts 2018/19

SUBJECT HISTORY

Council Meeting	Date
Capital monitoring reports presented to Cabinet	Various
Capital Programme – Council	6 March 2017
Capital Programme – Council	5 March 2018

Capital Programme and Funding 2018/19 **APPENDIX 1**

Adult Care & Health	**Revised Programme £000**	**Spend to Date £000**	**Council Resources £000**	**Business Rates £000**	**Grants £000**	**Total Funding £000**
Heswall Day Centre	350	-	350	-	-	**350**
Extra Care Housing	3,000	-	2,000	-	1,000	**3,000**
LD Extra Care Housing	3,000	-	2,000	-	1,000	**3,000**
Community Intermediate Care	500	-	500	-	-	**500**
Citizen & Provider Portal/I.T.	352	6	-	-	352	**352**
Assistive Technology	462	3	230	-	232	**462**
Pensby Wood re-modelling	707	134	707	-	-	**707**
Pensby Wood fit out costs	172	-	172	-	-	**172**
	8,543	**143**	**5,959**	**-**	**2,584**	**8,543**
Children & Families						
PFI	85	-	85	-	-	**85**
Condition/modernisation	4,543	306	-	-	4,543	**4,543**
Primary Places	2,542	23	2,542	-	-	**2,542**
Basic Needs	1,577	96	-	-	1,577	**1,577**
SEN and Disabilities (SEND)	206	-	-	-	206	**206**
Healthy Pupils Capital Fund	245	-	-	-	245	**245**
SEND Assisted Travel - replace adult vehicle fleet	250	-	250	-	-	**250**
Systems Improvements (Liquidlogic)	147	-	147	-	-	**147**
Family Support	157	-	157		-	**157**
Improvement Programme	11,100	1,775	11,100	-	-	**11,100**
	20,852	**2,200**	**14,281**	**-**	**6,571**	**20,852**

Environment	Revised Programme £000	Spend to Date £000	Council Resources £000	Business Rates £000	Grants £000	Total Funding £000
Public Toilets Upgrade	50	-	50	-	-	**50**
	50	**-**	**50**	**-**	**-**	**50**

Finance & Resources	Revised Programme £000	Spend to Date £000	Council Resources £000	Business Rates £000	Grants £000	Total Funding £000
Building refurbishment to increase occupancy	162	47	162	-	-	**162**
Fund to assist land assembly and re-sale	246	47	246	-	-	**246**
Demolish former Rock Ferry High	-	20	-	-	-	**-**
Treasury building	150	16	150	-	-	**150**
Windows 10 rollout	1,842	-	1,842	-	-	**1,842**
Digital corporate storage	1,500	-	1,500	-	-	**1,500**
Data centre	339	-	339	-	-	**339**
Creative and digital team software/hardware	48	-	48	-	-	**48**
	4,287	**130**	**4,287**	**-**	**-**	**4,287**
Highways & Transport						
Highway maintenance	2,637	158	-	-	2,637	**2,637**
BAMN Commercial Settlement	305	-	305	-	-	**305**
Pot hole action fund	563	33	-	-	563	**563**
Bridges	857	55	707	-	150	**857**
Dock bridges replacement	1,452	658	1,310	-	142	**1,452**
Coast protection	255	2	255	-	-	**255**
Transport for growth	3,318	323	2,168	-	1,150	**3,318**

Highways & Transport (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Business Rates £000	Grants £000	Total Funding £000
Coastal parking pay and display machines	350	-	350	-	-	**350**
Sustainable transport (STEP)	1,465	564	887	-	578	**1,465**
Street lighting and LED replacement	1,839	56	1,839	-	-	**1,839**
Street lighting column upgrade/replacement	2,000	-	2,000	-	-	**2,000**
Car parking	10	3	10	-	-	**10**
Illuminated lighting and street signage	250	-	250	-	-	**250**
New Brighton infrastructure	250	-	250	-	-	**250**
Thermal mapping	10	47	10	-	-	**10**
Key Route Network	329	-	33	-	296	**329**
TAG feasibility studies	245	55	-	-	245	**245**
Major infrastructure development/forward planning	200	-	200	-	-	**200**
Tower Rd National Productivity Investment Fund	200	-	-	-	200	**200**
Highways asset management system	350	-	350	-	-	**350**
Cleveland St transport depot	330	-	330	-	-	**330**
Surface water management	160	-	-	-	160	**160**
West Kirby flood alleviation	3,034	-	84	-	2,950	**3,034**
	20,409	**1,954**	**11,338**	**-**	**9,071**	**20,409**

Housing & Planning	Revised Programme £000	Spend to Date £000	Council Resources £000	Business Rates £000	Grants £000	Total Funding £000
Industrial estates	44	35	44	-	-	**44**
Aids, adaptations and DFGs	2,000	204	-	-	2,000	**2,000**
Restore empty homes	302	15	-	-	302	**302**
Clearance	1,167	-	632	-	535	**1,167**
Home improvement	947	121	947	-	-	**947**
New house building programme	320	-	320	-	-	**320**
Housing infrastructure fund	1,000	-	1,000	-	-	**1,000**
Housing Zones Marginal Viability Fund - Northbank Wirral Waters	2,011	-	-	-	2,011	**2,011**
	7,791	**375**	**2,943**	**-**	**4,848**	**7,791**
Jobs & Growth						
Business Investment Fund	1,336	-	1,336	-	-	**1,336**
Investment in properties	11,156	-	11,156	-	-	**11,156**
Wirral Waters Investment Fund	6,205	-	-	6,205	-	**6,205**
	18,697	**-**	**12,492**	**6,205**	**-**	**18,697**
Law & Order						
CCTV cameras and other equipment	83	38	83	-	-	**83**
	83	**38**	**83**	**-**	**-**	**83**

Leisure & Recreation	Revised Programme £000	Spend to Date £000	Council Resources £000	Business Rates £000	Grants £000	Total Funding £000
Eureka	268	20	268	-	-	**268**
Hand arm vibration equipment	75	-	75	-	-	**75**
Park depots rationalisation	3	7	3	-	-	**3**
Transport museum	66	80	66	-	-	**66**
Soft play areas at leisure centres	410	-	410	-	-	**410**
West Kirby sailing centre accommodation	564	6	564	-	-	**564**
Leasowe leisure outdoor 3G	795	-	795	-	-	**795**
The Oval redevelopment	23	-	23	-	-	**23**
Beechwood recreation centre	430	4	430	-	-	**430**
Pool covers	150	-	150	-	-	**150**
Williamson Art Gallery refresh	250	-	250	-	-	**250**
Arrowe park machine shed/wash bay	200	-	200	-	-	**200**
Arrowe park depot resurfacing, bays etc	200	-	200	-	-	**200**
Birkenhead park depot resurfacing	164		164	-	-	**164**
Play area improvements	240	-	240	-	-	**240**
West Kirby concourse/Guinea Gap reception upgrade	360	-	360	-	-	**360**
Wirral Tennis Centre facility upgrade	780	-	780	-	-	**780**
Floral Pavilion audio desk	35	-	35	-	-	**35**
Landican Chapel improvements	50	-	50	-	-	**50**

Leisure & Recreation (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Business Rates £000	Grants £000	Total Funding £000
Beach Cleaning - replacement of equipment	175	-	175	-	-	**175**
Cemetery Extensions and Improvements	316	-	316	-	-	**316**
Wirral sailing centre boats/equipment	15	-	15	-	-	**15**
Floral Pavilion chiller units	55	-	55	-	-	**55**
The Oval grandstand structural works	55	-	55	-	-	**55**
	5,679	**-**	**5,679**	**-**	**-**	**5,679**
Total	**86,391**	**4,957**	**57,112**	**6,205**	**23,074**	**86,391**

Capital Receipts 2018/19 **APPENDIX 2**

Cash Received	**£000**
Tarran Industrial Estate	30
Glenavon Rd covenant	275
Plot 4 Harrison Estate	81
3 Oaktree Place	13
Saughall Massie fire station deposit	4
Municipal building deposit	50
Renovation loans	61
	514

WIRRAL

 **COUNCILLOR JANETTE WILLIAMSON**	**CABINET** **16 JULY 2018** **MEDIUM TERM FINANCIAL STRATEGY** **2019/20 – 2022/23**

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

"We continue to face huge financial pressures, as increasing demand, rising costs and ongoing austerity policies combine to place unprecedented strain on our budget, and services. The extent of ongoing government cuts mean that we are unable to carry on doing everything the way we have previously and we need to look to new and innovative ways to provide services to protect our most vulnerable.

We must do all we can to plan long term, put in place sustainable and radical change which allows us to continue providing the services which our most important to residents. This is becoming increasingly more difficult as we are forced to reduce in size, use our reserves and rely on the support of community and third sector organisations to support our service provision.

We have a significant budget gap to meet over the next four years, with most of it impacting next year, as a result of further cuts to our funding. However, the Medium Term Financial Strategy (MTFS) provides the mechanism and effective but robust plan as to how we will achieve this."

1.0 EXECUTIVE SUMMARY

1.1 The Council continues to face financial constraints and pressures. The medium term financial planning period to 2023 will see continued grant funding reductions and financial pressures as a result of increasing demand.

1.2 Aligned to this the Council will in 2020, assume full responsibility for the raising and collection of income generated locally that will be used to fund the services accessed by Wirral residents.

1.3 This report presents the Council's Medium Term Financial Strategy from 2019 to 2023 that describes the robust and measured way that that Council will address these challenges via a three phased approach:

- The Medium Term Financial Strategy describes what the future financial position of the Council will look like, what our challenges are and how we will allocate our resources to meet our corporate priorities and achieve the outcomes of the Wirral Plan.

- The Medium Term Financial Plan describes how we are currently financed and future changes to this, our approach to meeting the financial challenges and how we will measure this.

- The Financial Resilience plan describes how we can evidence our financial sustainability over the medium term to provide assurance to local taxpayers that we are providing value for money, our process for decision making is robust and we are safeguarding public funds.

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

2.0 BACKGROUND AND KEY ISSUES

MEDIUM TERM FINANCIAL STRATEGY 2019 - 2023

2.1 Over the period 2019 - 2023 the Council will continue to deliver the pledges contained in the Wirral Plan whilst operating in a challenging financial environment.

The Medium Term Financial Strategy focuses on ensuring that resources are targeted to the 20 Pledges while operating within the reduced government-related financial resources that will be available. The Council's like for like government funding has reduced since 2010/11 and will continue to reduce until 2020/21.

2.2 Since its approval in July 2015, considerable progress has been made in all areas of the Wirral Plan. At the same time the Council has been moving forward with an integrated approach to planning policy and financial strategy on a long term basis.

This is to ensure that our resources are targeted in accordance with our priority outcomes. The last Medium Term Financial Strategy was approved in February 2017 and covered the period 2017 - 2021. This resetting of the MTFS recognises the changing landscape since 2017 and the need to rethink where we target our resources to ensure we can provide value for money for our local taxpayers.

Funding Challenges

2.3 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 were 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 until 2022/23 with a Government review of how our funding will be calculated.

2.4 The Council set a balanced budget for 2018/19 utilising one off funding of £26m. This enabled a protection of services to the most vulnerable and those services that are most important to our communities to remain in place. It also provided temporary investment into Children's Services to offset future demand, which is being used to pump prime invest to save initiatives and divert reactive funding to preventive work. This was enabled through a planned programme of drawing down available for use reserves and the programme of Children's investment being 'repaid' though efficiencies over a three year period. This approach is clearly not sustainable in the long term and to ensure reserves do not fall to an unsustainable level, the replenishment of temporary funding is included within the following years budget gap.

2.5 Continuing their plan to end government grant funding by 2020, for the following two years the government funding we receive will be phased out. The forecast budget gap to 2023 is as follows:

Budget Projections 2019/20-2022/23: Budget Gap Forecast

PROJECTIONS	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Cumulative Budget Gap	45	62	65	67
Annual Change in Budget Gap	45	17	3	2

2.6 A number of elements of future funding are subject to development. This means that there is a degree of uncertainty on the detail relating to:

- A Government Fair Funding Review, that will determine the level of spending the Government thinks we will need. The outcome of this is due in late 2019, to be implemented from 2020/21. We have been informed

that 2020/21 will be a transition year and our new formula will formally be reset in April 2021.

- The phasing out of Revenue Support Grant and the retention of Business Rates.
- The transfer of new responsibilities including the un-ringfencing of public health grant and the transfer of this into the business rates pool
- The treatment and level of specific grants.
- The performance of the economy post Brexit and the impact on public sector finances.

2.7 Wirral Council continues to seek to protect those services which it considers to be its highest priority and the approach for the period of the Medium Term Financial Strategy will be to minimise cuts to services which impact on our most vulnerable residents e.g. children and adults social care. However due to the extent of the budget gap, there is some inevitability that not all services can be provided in the same way.

Resourcing the Council's Priorities

2.8 A focus for the Council over the next four years is the generation of income to help supplement our funding from local taxpayers. The future for local government finances is one in which Councils aim to be financially self-sufficient. This means that Wirral has to plan to establish a strong and buoyant tax base and other sources of direct income. The Council will provide the tools to encourage local regeneration leading to jobs and growth. The local plan will be the mechanism to generate significant new income from Council Tax, in some cases within the higher bands and will support the local economy through the creation of new jobs. The Income Strategy describes in more detail our ambition to generate more income.

2.9 With the establishment of the Wirral Growth Company this will unlock sites for regeneration and housing across the borough. This will enable existing and new inward investment, creating thousands of jobs and opportunities for young people wanting apprentices after leaving school and college. Providing access to employment for young people will see them on a good footing to live and work in Wirral over a longer term enabling better life prospects. The Growth Strategy provides details of how this will be achieved and our vision for the future.

2.10 Through our commercialisation agenda we will take a more confident approach that will open up opportunities to generate income from commercial activities, whether this is ensuring we are charging appropriate market rates for the services we sell, to providing our in-house professional services to local partners and the private sector. Our **Commercial Strategy** highlights our plan for a more innovative and commercial approach.

2.11 By adopting a more risk aware approach to investments we will be able to generate a higher return on our treasury management activities to generate more income. More diverse and innovative investments are available to us and many local authorities have already successfully branched out into

investing in non-traditional areas such as green energy, solar power, bonds and commercial property. These types of investment are not without risk and a longer lead in time is required to ensure adequate due diligence can be carried out to provide assurance that the investments are sound. Our **Treasury Management Strategy** sets out the framework under which we operate for investments.

1. **For our Council Tax base this will mean:**

- Enabling hew housing through planning policy and the Local Plan.
- Ensuring that our Council Tax Reduction Scheme is fair and provides support to the most vulnerable groups.
- Planning to maximise income from Council Tax within the guidelines set by Government.

The aim across the period 2019-23 is to:

- Increase the number of properties paying Council Tax, especially in the higher bands
- Minimise the number of homes that are empty and maximise income through the appropriate application of discounts and exemptions.
- Improve collection rates and reduce the levels of outstanding debt for Council Tax.

2. **For our Business Rate base this will mean:**

- Attracting new investment to Wirral.
- Using loans and grants to ensure businesses are supported in the area.
- Enabling development to take place in the area, with the mixed development of a number of sites in Wirral, using our land, prudential borrowing or other financial mechanisms to encourage regeneration and jobs including new employment, in newly developed spaces.
- Setting a fair and equitable Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Grow and maintain the business rate tax base in Wirral.
- Maximise businesses paying the expected level of business rates.
- Support new incubators and SME's to grow using business rate flexibilities.

3. **For our Fees and Charges this will mean:**

- The introduction of new income sources through charges and trading, for example with local businesses.
- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by others for similar services.
- Ensure the fees and charges are recognised as a key and increasingly important part of the financial resources of the Council.

4. For our Treasury Management this will mean:

- The optimisation of returns on investments whilst ensuring security and liquidity.
- Examination of new opportunities for innovative investments, balancing risk with opportunity to be more risk aware to generate short and long term income.
- Use of prudential borrowing where it is supported by a sound business case in accordance with the principles of the Treasury Management Strategy.
- Ensure that Treasury Management is recognised as a major contributor to the Council's overall financial standing the resilience. Whilst operating within the relevant guidelines and regulations.

Wirral Together

2.12 One important aspect of the MTFS will be the engagement of communities about where they want the Council's resources to be spent and what they can do themselves to enable us to divert resources into the areas that are most valuable to them. Working with our trusted partners in the voluntary and third sector will also be important to enable them to provide services on the ground, targeted to the area of most need.

2.13 Other initiatives such as crowd funding can play an integral part in matching Council funding with contribution from local businesses and local residents for community projects that communities can take ownership of and feel proud of. We must also unlock any grant funding available to us from external organisations to help supplement our budget and maximise the opportunities to support services to the community.

2.14 Working with our major contractors to generate opportunity from social value will play a major part in supporting the sustainability of council funding by reducing expenditure and/or generating investments across all areas of the Council.

2.15 A thriving economy supports new business to grow and will encourage the need for new housing and through our work with Anchor Institutions in the borough to encourage them to spend more locally, we can support small local business prosper.

MEDIUM TERM FINANCIAL PLAN

2.16 The Medium Term Financial Plan is the tool to implement the Strategy. It describes our plan to ensure the Council be sustainable in the medium to long term, and how we will manage the governance, policies and actions we have in place to ensure the Strategy can be delivered.

Reserves

2.17 The plan contains a statement on how we will use our earmarked reserves to supplement investment in projects that will generate efficiencies, savings and income initiatives for the future. Over the past few years we have been utilising our reserves to support such projects and have drawn down all available uncommitted reserves to ensure we can continue to provide services. However, our reserves position going into 2019/20 is a stable one – with sufficient reserves in hand to mitigate any unforeseen and unexpected expenditure – and at a level that can provide the financial resilience the Council needs. We are no longer in a position to use reserves going forward to support ongoing day to day expenditure, and nor should we as this is an unsustainable and irresponsible strategy.

2.18 Our usable reserves (excluding school balances) are in the main split into two categories:

- General fund balance – this is to be kept for unforeseen and unexpected expenditure e.g. emergency planning
- Earmarked reserves – these are amounts committed against specific future expenditure e.g. Insurance Fund, Flood Defences, Local Welfare provision

Capital and Treasury Management

2.19 The Medium Term Financial Plan provides details on our approach to utilising capital funding. Capital expenditure is described as expenditure on anything that will last over 12 months and can be regarded as an asset e.g. buildings, vehicles, machinery. We are not allowed to use capital funding to provide day to day services but we can use it to enhance assets and technology to enable us to spend less on day to day services e.g. assistive digital technology in older peoples homes can be paid for from capital funding and will result in less visits from social workers; meaning that we do not need as much social care provision in that area and older people feel more independent and can remain in their own homes for longer.

2.20 Where possible we use our own cash flow to pay for capital projects but we generally have to borrow money to pay for capital expenditure. We can borrow money cheaply however from a public sector loan fund and when considering funding capital projects, the saving or income the project generate must offset the cost of the interest on the loan.

2.21 Our Treasury Management Strategy is approved at Full Council and is the framework by which we invest our surplus cash balances or need to borrow cash for projects and initiatives. At any time, the Council may have a surplus of cash in the bank that it will invest (lend out) to other organisations to generate an income return. This is good practice and the income we receive is re-invested into front-line services to pay for day to day expenditure. We are not allowed to spend the surplus cash on day to day expenditure as it is required to pay our suppliers when due.

2.22 We invest cash in many different types of organisations to minimise the risk of loss and we generate a different return of income depending on the risk profile of the investment e.g. a higher rate of return for more flexible investments.

FINANCIAL RESILIENCE PLAN

2.23 The financial resilience plan highlights a series of actions that will be tested to ensure we can demonstrate a high level of financial management and control, effective leadership and decision making and ensuring evidence is available to prove that we are providing value for money for our local taxpayers.

2.24 In order to compile the plan we have undertaken a diagnostic to test 4 specific areas to identify where are strengths are and to identify where we can further improve to ensure our resilience can be maintained.

2.25 The plan also enables us to carry out predictive modelling to identify future demand to enable advance planning to manage and mitigate any future pressure. This will ensure our medium term financial situation is robust and we can provide assurance that the Council is financially sustainable.

ANNUAL BUDGET SETTING

2.26 Each year we are legally bound to set an annual budget, agreed by Full Council. The process for budget setting for each year 2019 – 2023 is a continuous one with activities taking place all year round to ensure a balanced annual budget can be set.

2.27 The development of financial proposals for future years takes place via a Cabinet Portfolio aligned approach to action planning and budgeting. Budget proposals are encouraged organisation wide and are reviewed by an Officer 'Star Chamber' meeting that asses the feasibility, acceptability and deliverability of each proposal in line with the corporate objectives and Wirral Plan.

2.28 Portfolio Holders subsequently present these proposals to a Member Star Chamber led by the Leader and Deputy Leader(s) of the Council and the Portfolio Holder for Finance and Resources. Portfolio Holders are accountable for progressing proposals via business cases through consultation and Scrutiny before they are recommended by the Cabinet to Full Council for approval.

2.29 Once the budget has been set, Portfolio Holders are accountable for ensuring they are delivered and monitored during the year.

3.0 RELEVANT RISKS

A separate risk assessment has been compiled as to the long-term financial sustainability of the Council

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

There has been no formal consultation on the MTFS however the Strategy will be submitted to the Audit and Risk Management Committee in July for information. As part of the formal 2019/20 budget setting process a formal consultation will take place on the individual proposals submitted with scrutiny committees and communities.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

In recommending a balanced budget for 2019/20 there may be proposals that have implications for voluntary, community and faith groups. These proposals however will consider the implications for voluntary, community and faith groups as part of the individual submissions.

7.0 RESOURCE IMPLICATIONS: FINANCE, IT, STAFFING & ASSETS

The budget setting and planning process is integrated with the Wirral Plan. A process has been set out in this report that will determine how resources will continue to be directed to support the delivery of the 20 Pledges. Also detailed is an approach to the planning required to meet the continuing financial challenges the Council faces in the period 2018/19-2022/23. Further resource implications are detailed within the Medium Term Financial Strategy and these implications are reviewed by the reports revising the financial position submitted to Cabinet throughout the year

8.0 LEGAL IMPLICATIONS

None

9.0 EQUALITIES IMPLICATIONS

Equality and diversity themes are embedded into policy development and service planning as well as the budget planning process. The Council actively promotes equality of opportunity and are committed to eliminating unlawful discrimination for all our residents, customers and employees. The Council values diversity, mainstreaming equalities into all of its service planning to enhance quality, improve access and deliver better value. In recommending a balanced budget for 2019/20, the equalities implications will be considered for each individual proposal

10.0 CARBON REDUCITON IMPLICATIONS

None

11.0 PLANNING & COMMUNITY SAFETY

None

12.0 RECOMMENDATIONS

The Cabinet is asked to agree:

a) Agree the Medium Term Financial Strategy for 2019-2023

b) Note the latest developments in the Council's financial position including budget gap and the new approach to deliver balanced budgets during the Medium Term Financial Strategy period.

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

13.0 REASONS FOR RECOMMENDATIONS

13.1 An effective Medium Term Financial Strategy aligned to the Wirral Plan is necessary to ensure that the Council functions well and public funds are safeguarded. The MTFS describes how we will achieve this.

13.2 As our grant diminishes it is important that Councillors and communities are aware of the scale of the financial issues facing the Council and that we are no longer able to provide the services in the same way have in the past. With the resources we have available we will prioritise spending to protect the most vulnerable and through Wirral Together we will target our funds to what matters most to our communities.

13.3 In addition to reduced funding and funding changes over the next couple of year, demand is also increasing. Children and Adult Social Care pressures are significant; for us to predict future demand and manage this effectively we must have a strategy that enables us to divert funds from purely fixing problems to identifying ways where the most vulnerable can feel more confident and be enabled to be more independent. This requires investment.

13.4 As we are unable to fund the services we currently provide in the future, we look to other ways to reduce costs, make services more efficient and generate income to supplement our budget. This requires the Council to be more risk aware and to consider alternative ways of providing services through our trusted partners

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APPENDICES

Appendix 1: Medium Term Financial Strategy 2019/20-2022/23

REFERENCE MATERIAL

SUBJECT HISTORY

Council Meeting	**Date**
Medium Term Financial Strategy	
Cabinet - Medium Term Financial Strategy 2017/2021 and Council Budget 2017/18	20 February 2017
Cabinet – Council Budget 2018/19	19 February 2018

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MEDIUM TERM FINANCIAL STRATEGY
2019/20-2022/23

A sustainable financial strategy to support our 20 Pledges

Foreword

Wirral Council like other Councils across the country continue to face challenges in providing good quality services whilst under significant financial constraints. To meet these financial challenges to continue to maintain and deliver improvements in services, the Council must have a strategy, the Medium Term Financial Strategy (MTFS). The challenges and plans for delivery will stretch over several years, or over what is known as 'the medium term'.

The MTFS has two main elements:

- The MTFS providing an overview of the approach to the period 2019/20-2022/23.
- The Medium Term Financial Plan (MTFP) contains a Financial Resilience Plan setting out how council finances will be managed over the period.

Approach to 2019/20-2022/23

The MTFS helps provide the monies which will support the delivery of the Wirral Plan. Approved in July 2015 the plan provides a clear ambition for the area based on three overarching themes:

PEOPLE	Wirral is a place where the vulnerable are safe and protected, where 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.

The three themes are supported by 20 pledges which define the outcomes to be achieved by 2020. This shared set of outcomes, goals and objectives will see the Council and our partners working towards bringing together services and budgets to make best use of the available public sector resources for the benefit of Wirral people. It's not just about the Council. Our Partners are committed playing a leading role in achieving 8 of the 20 pledges.

For 2018/19 priorities have been set and the Council's focus on what it will deliver for residents, how it will be done and what will be achieved agreed. These are:

- Getting the Basics Right
- Jobs and Growth
- Children's Services
- Local Plan and Housing
- Leisure and Culture Review

The budget for 2018/19 outlined what the Council plans to do to take these forward, the plans to improve Children's Social Care, protecting services to residents and attracting investment and jobs to the area. The Council is committed to all of these whilst maintaining a balanced budget. The MTFS that follows builds on the investment and changes made in 2018/19 Budget.

The MTFS focus is on building the foundations for a sustainable financial future with sufficient support for services and describes how to provide the funding and services so that residents receive the support for their lives and communities. Outlined, in addition, is how the Council will invest in our local economy to encourage growth to continue.

The MTFS and the 2018/19 Budget is the first step in resolving the financial challenges we face and moving to a more self-sufficient funding position. Maintaining business as usual whilst reforming services and regenerating the local economy will be the future focus to target our resources. Establishing the correct baseline to do this is an essential component of our delivery and the MTFS sets out how we plan to do this in line with our financial principles. It details the financial remit within which the Wirral Plan directs all services up to 2023.

The plan enables funding to be targeted to prioritising the transformation of our local economy to be sustainable and inclusive. At the same time attention will continue to be directed on the most appropriate method to deliver services. These will be delivered not in isolation but through a partnership with the area and residents. We are increasingly looking to the future and taking responsibility for the challenges Wirral faces. This is more than the Council making choices on services. All residents are involved in the challenges that Wirral faces. Wirral Together introduces new ideas to tackle some of the social and services challenges the area faces.

Partnership and Wirral Together

The Wirral Plan has been adopted by all the Councils strategic partners from the public, private and third sectors. It is how all partners work towards a shared set of outcomes, goals and objectives, moving toward integrating as far as possible services and finances.

The Council and its partners need a focused approach to commissioning services, to integrating services across the public sector and to ensuring that services are decommissioned where they do not align with priorities or cannot be afforded. This is an outcome based approach to community engagement. Working together to manage demand and subsequently the cost of specialist, substantial services mean we can invest more resources into early intervention and prevention services. In line with the Wirral Plan and the views of residents it is important to protect the vulnerable and working with Health partners to improve the health and well-being of Wirral people will see the integration of resources to realise efficiencies to help meet the increasing demand.

The Integrated Commissioning Hub, a partnership between the Council and Wirral Clinical Commissioning Group (CCG) have a combined plan of how Adult and Health Care Services will be delivered. A pooled budget will enable funds to targeted to the areas of most need that generate the most beneficial outcomes.

To be successful, the Council will call on all Wirral residents to play their part for example in playing an active role in their community and supporting local shops and businesses. This call will include taking steps to take part in the future shape of the area by increasing independence, civic pride and self-help. Measures such as recycling more, volunteering, getting on-line to access services and keeping healthy build a better future for all and help with the financial challenges being faced.

Future budgets will build on 2018/19, they will reflect the Wirral plan to make investments in services, reforming services where required to meet the needs of a changing population, encouraging local economic growth and supporting residents to make improvements in their lives. Whilst it is not possible to correct the changes in Council funding since 2010 in one budget, the MTFS is an important first step to a sustainable financial future. The aim is to grow our local economy, however this will take time and will need to be phased to ensure that it is achievable, deliverable, sustainable and responsible.

Local Economy

It is essential that the Wirral economy thrives, not just for businesses but for residents. Long-term under-investment and poverty undermine the areas real economic potential. The Councils commitment is to build sustainable economic development with good jobs, that ultimately increases equality and fairness, reduces poverty, improving the life changes and well-being of everyone on Wirral. The Council will also benefit from this through new income from new businesses paying rates and income from visitors participating in local events.

The Council plans for regeneration will lead to a better, financially sustainable future for both our residents and the Council through a stronger and more inclusive local economy. It will make better use of local assets and mean that everyone has an opportunity to take part and benefit from economic growth, with all sectors of the community benefitting from local growth. To achieve our vision, we are transforming our approach to regeneration through the dual approaches of community wealth building and attracting new inward investment.

Community Wealth Building is the encouragement of local growth through groups and institutions working in co-operation with a strong focus on self-help, participation and social responsibility. It is a place-based approach to local economic improvement involving the community, partners and the local council to grow and keep wealth locally. Using existing local wealth, through area based bodies such as the Council and hospitals spending locally to benefit local areas by buying locally. This means that residents and their local employers can continue to be sustained and grow. This local investment, the Wirral Pound, would be retained in the area leading to new opportunities.

Attracting inward investment to Wirral aims to create new residential and business developments whilst retaining existing employers. Through the Wirral Growth Company and working with our developer Muse, the Council aims to regenerate large areas of Wirral. The company will bring together Council land, planning powers with private sector investment and development expertise. The focus will be on the renewal of key sites and communities in Wirral.

Through the MTFS and budgets in future years we will ensure that the commitments made in the Wirral Plan are delivered and fully funded through sustainable and robust finances. A strong financial position makes Wirral more resilient. Rebuilding our finances and reforming services will require work over coming budgets. However, the Council cannot do this in isolation. It will be for all of Wirral, partners and residents to address the challenges.

Introduction

The MTFS covers a 4 year period detailing anticipated funding and assumptions on spending. Our challenge for 2019/20 and beyond is to deliver our 20 pledges whilst having fewer resources provided to us from central government. Our services are currently funded by council tax, business rates, government grants, plus fees and charges. Key areas of spending for the Council are services like social care for vulnerable children and adults, libraries, parks and transport.

The Council's budget also includes ring-fenced spending on education and housing benefits. These are funded by specific government grant which are 'ring-fenced' i.e. can only be used for these purposes and planning for these is undertaken separately from the revenue budget covered by the MTFS.

Over the next 4 years we anticipate rising costs (inflation) and demand for services alongside reduced central government funding that will result in a budget gap of £45m in 2019/20 and £67m by 2022/23. In 2018/19 alone, we will see a reduction of £7m of government grant funding, which together with increased costs and demands, resulted in a budget gap of £61m. We have already saved over £100m between 2011/12 and 2018/19 and therefore finding further efficiencies and savings is becoming progressively more challenging.

Over the period the Council will seek to achieve the following to resolve the funding gap:

Short Term

Growth in income sources will make a limited contribution with the amount of council tax growing through new homes being built. Business rates are also expected to expand as new businesses are established along with fees and charges increasing too. Saving proposals will need to make up a significant part of the resolving of the funding gap and this will mean that not all services can continue to be provided in the same way.

Medium to Long Term

In the long term the Councils plan is to change approaches so that it can raise or generate more income itself and be less reliant on central government. This will be through:

- **Income and investments.** Aiding local economic development so that the area becomes more self-sufficient through economic growth, community involvement and social action.
- **Transform** how the Council works and operates to improve service and deliver pledge outcomes and reduce costs.
- **Working with partners and residents** to provide the tools to get people into employment and improve health. Through this route there will be better life outcomes and a reduced need for social care.

Alongside the MTFS, the Council sets an annual budget for the next financial year. This is an iterative process with proposals being submitted as an when they are

identified to enable consultation and scrutiny to take place so that the impacts of the proposals are known in advance; it is important that the Council aligns resources available to the highest priority areas in the plan and is on-message to meet its corporate objectives. It is also essential to demonstrate good financial management, control and financial planning to ensure we can demonstrate value for money. This document provides an overview of the Council's financial position and how it will, through the Wirral Plan, make the most of the financial resources available.

The Council has responded to a changing and challenging local government financial environment. This needs to continue. It will impact on the shape and direction the Council takes, including the services it provides. The MTFS provides the financial foundations for the Wirral Plan.

Vision for Wirral and its Finances

The Council faces a difficult financial outlook. Within this context the MTFS and the annual budget will continue to prioritise the themes and pledges made in the Wirral Plan and will protect those services for the most needy and vulnerable.

Reductions in central government funding will continue. The future for local government finance is for all Councils to be self-sustaining. This means that the Council needs to plan for a resilient budget that includes strong income sources to protect key services to our residents.

Over the period of the MTFS the Council will seek to accomplish the following:

- A balanced four year budget agreed annually.
- Growing and diversifying income generation in the area in a sustainable way.
- Maximisation of returns from Council investments within a prudent approach.
- Maintaining investment in key services and outcomes that support the Wirral Plan 20 Pledges.
- Maintenance of the right level of earmarked reserves and general fund balances to protect Council services and mitigate against future risks.
- A four year capital programme aligned to achieving the outcomes in the Wirral Plan and the maximisation of invest to save opportunities.
- Maximisation of income generation and collection.
- Using best practice financial management approaches and control of Council budgets.
- Minimisation of fraud and corruption.
- Fit for purpose annual accounts.

Financial Challenges

The Council is planning to resolve the budget gap it faces over the MTFS period through action to generate new income and reduce expenditure.

MTFS Financial Influences

The MTFS covers the four year period to 2022/23. It sets out anticipated levels of funding and financial pressures. Forecasts are kept under constant review as changes occur and decisions are taken. These are sometimes based on assumptions about inflation, financial pressures and levels of income such as from Council Tax.

The biggest influence on the Council's budget is the continuation of reductions in government grant funding and the move towards self-funding by all Councils. The business rates retention scheme (BRRS) introduced in 2013–14 has allowed councils to retain up to 50% of the real-terms growth in local business rates revenues and bear up to 50% of any real-terms falls. The government has announced plans to increase this share to 75% by 2020/21 and continues to expand a series of pilots of 100% retention in some areas of the country including the Liverpool City Region. The aim of these reforms is to provide stronger financial incentives for councils to boost local economies and tackle the underlying drivers of spending need. However, changes may see a potential for councils' income resources to diverge from their spending needs across the England. There is a risk that affluent areas with potential to raise more income may benefit whilst poorer areas suffer. This is currently being examined by the Government as part of the Fair Funding Review.

The Fair Funding Review commenced in late 2017, with the outcomes of the needs and resources reviews likely to be implemented in 2020/21. The Needs Assessment commenced with a consultation paper and the Council responded in March this year. Further consultation including on the ability of Councils to generate income are due out later this year.

The outcome of the review 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.

Between 2010 and 2015 Government funding to local government will have been cut by 33 per cent in real terms. In terms of income the Council can raise further income. The reduction in grants may be offset by the Council's share of any growth in business rate income, Council Tax and fees and charges.
In addition to this the Council has and continues to restrain its costs as far as possible. This has been through savings programmes over a number of years.

Although costs have been contained the Council continues to face cost increases and unavoidable financial demands. The assumption is that inflation is absorbed within budgets and only specific contracts receive budgeted inflationary increases.

The inflationary challenges are one element of the financial pressures faced. The on-going rise in demand led pressures for social care both in Children's Services and Adults adds to the financial challenges faced by the Council. There are also other unavoidable increases such as levy changes and pension increases. The Council has little influence, in some of these areas, over the costs that it must incur.

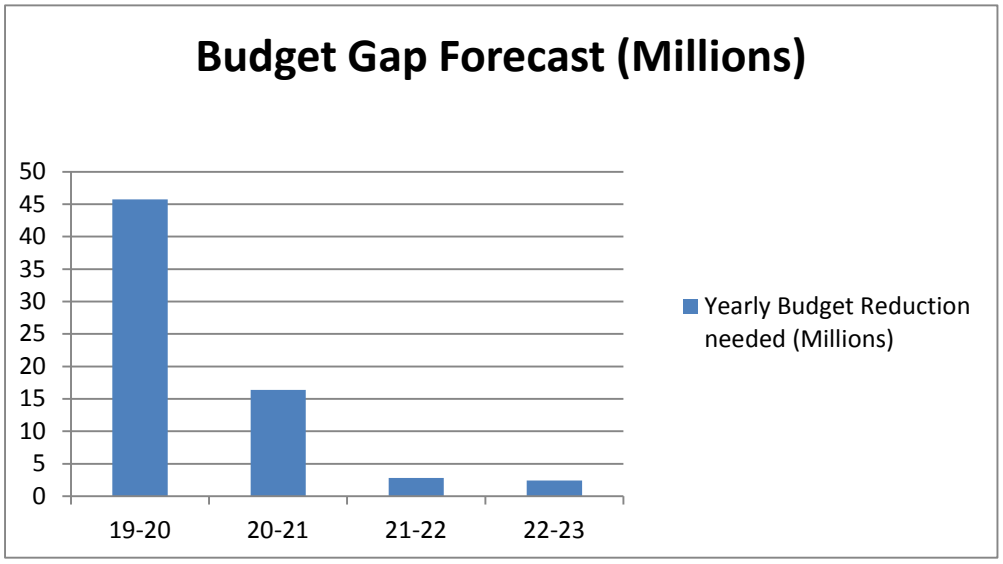
The Council will continue to invest its financial resources on its key Wirral priorities. Our annual expenditure will be focused on those areas that are most important to us.

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 until 2022/23.

The Council has been able to set a balanced budget for 2018/19 with support from one off funding. However, after 2018/19 there is a new funding gap to be resolved. The gap is forecast to reach £67m by 2021/22 of which £45m relates to 2019/20.

Budget Projections 2019/20-2022/23: Budget Gap Forecast

PROJECTIONS	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m
Cumulative Budget Gap	45	62	65	67
Annual Change in Budget Gap	45	17	3	2



The financial pressures in the period 2019-23 facing Wirral Council are considerable. The MTFS projections contain anticipated cost pressures and changes that the Council has to manage. The main anticipated expenditure changes are as follows:

- Economic – inflation and pay awards;
- Demographic – investment in Services for increased demands including greater houses;
- Policy – new service requirements, government legislation, grant settlement;

There are a number of areas where there may be additional costs to the Council in future years which are uncertain at present. One area to be addressed in the period of the MTFS is the approach to containing the demand for services, cost pressures and growth in a period when grant funding is reducing.

Wirral is very reliant on government grant to support all services. Since 2010 Government grant funding has reduced each year. This drop in funding coupled with a number of increasing financial pressures such as those due to changes in our population have meant that the Council has had to save considerable amounts over recent years. Wirral will continue to face considerable financial challenges, uncertainty and funding reductions over the medium term period. Beyond 2019/20 Central Government has made no detailed announcements on the general grant funding of local government. There remains a great deal of uncertainty in projecting Wirral's' future funding and an assumption of no central grant funding has been made in the final years of the MTFS period.

Addressing the Challenges

Since 2010, Wirral has 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 2019/20-2022/23 represents a new challenge and to respond requires a reset to the Medium Term Financial Strategy.

The key challenge for the Council is to maintain and improve where needed our services to the people of Wirral whilst managing with reduced central government funding.

To meet this challenge a number of financial approaches are developing and will be used across the four year period. The full details of their implementation will be through the annual budgets in each of the years of the MTFS period. It is anticipated that there will be a mix of approach across the timeframe as a number require actions that have long lead times that span a number of years.

Our MTFS approaches 2019/20-2022/23

Increasing Income

The future for local government finances is one in which Councils aim to be financially self-sufficient. This means that Wirral has to plan to establish a strong and buoyant tax base and other sources of direct income. This will result in more the income that will protect services. The Council will provide the tools to encourage local regeneration leading to jobs and growth.

1. For our Council Tax base this will mean:

- Enabling hew housing through planning policy and the Local Plan.
- Ensuring that our Council Tax Reduction Scheme is fair and provides support to the most vulnerable groups.
- Planning to maximise income from Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Increase the number of properties paying Council Tax.
- Minimise the number of homes that are empty and maximise income through the appropriate application of discounts and exemptions.
- Improve collection rates and reduce the levels of outstanding debt for Council Tax.

2. **For our Business Rate base this will mean:**

- Attracting new investment to Wirral.
- Using loans and grants to ensure businesses are supported in the area.
- Enabling development to take place in the area, with the mixed development of a number of sites in Wirral, using our land, prudential borrowing or other financial mechanisms to encourage regeneration and jobs including new employment, in newly developed spaces.
- Setting a fair and equitable Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Grow and maintain the business rate tax base in Wirral.
- Maximise businesses paying the expected level of business rates.
- Improve collection rates and reduce the levels of outstanding debt for Business Rates.

3. **For our Fees and Charges this will mean:**

- The introduction of new income sources through charges and trading, for example with local businesses.
- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by others for similar services.
- Ensure the fees and charges are recognised as a key and increasingly important part of the financial resources of the Council.

4. **For our Treasury Management this will mean:**

- The optimisation of returns on investments whilst ensuring security and liquidity.
- Examination of new opportunities for innovative investments, balancing risk with opportunity to be more risk aware to generate short and long term income.
- Use of prudential borrowing where it is supported by a sound business case in accordance with the principles of the Treasury Management Strategy.
- Ensure that Treasury Management is recognised as a major contributor to the Councils overall financial standing the resilience. Whilst operating within the relevant guidelines and regulations.

Investment in Services

The financial position for the Council is challenging over the 4 year MTFS period. Despite this the Council budget will continue to deliver funding to support spending on services more than £300 million a year. The focus of the Wirral Plan and the MTFS is on prioritising the allocation of these resources to ensure the right outcomes for Wirral, at best value for money, with our partners and providers. The budget will continue to be invested in line with the Wirral Plan themes:

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.

Targeting resources to those who need our help the most – this may mean changes in some services – which we are trying to deliver in a way that is both fair and equitable; promoting independence with a move away from the Council doing everything, encouraging self-help and community empowerment and resilience through Wirral Together.

A key area for investment is Children's Services. In this service the Council will continue to invest in prevention and early intervention to help families, by actions to help them come out of and stay out need and care. We will also protect our must vulnerable groups of children through working with partners. To improve Value for money in this area there is future work to be undertaken on the procurement and commissioning of services.

The aim across the period 2019/20-2022/23 is to:

- Help Children to stay in the area with their families rather than being in expensive placements. Improving life opportunities and outcomes for our children.
- Reduce the cost of providing Children's Social Care, through multi agency working.
- Reduce the relative high costs of providing children's social care.

Getting the Basics Right

Improving and modernising the Council is about understanding an responding to the needs of our residents. This means getting our everyday services right each day in all areas e.g. fixing potholes, replacing street lights, answering calls quickly, ensuing our streets are safe and clean etc. Communities need assurance that we are providing value for money for the local taxes they pay and allocating resources to the areas that matter most to them.

To enable this, we will review all services to ensure they are providing value for money through the **Reforming Services Programme**. Drawing on benchmarking and intelligence information on other Councils' operations it will review the cost and configuration of all services. The use of benchmarking and predictive modelling tool CFO Insights will assist with this approach. This online analysis tool that gives access to insight on the financial performance, socio-economic context and service outcomes of every council in England, Scotland and Wales. The tool provides a three-

dimensional way in which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours.

The aim across the period 2019 - 2023 is to:

- To be more efficient and assess Value for money – Making sure that we deliver our services in the most cost effective way possible – streamlining processes, joining up our back office functions and not spending money on administration that could be invested in services in line with our priorities.
- Review the mechanisms for delivering services to obtain the best fit for delivery to the residents of Wirral.
- Explore and enhance partnership working – working more in partnership with others in the public, community, voluntary and faith sectors, reducing duplication and delivering better outcomes for residents.

The total financial resource of the Council and wider partners needs to be maximised, prioritised and channelled to the right areas and activities. All financial planning activity will be targeted towards ensuring that resources are matched to the priorities identified in the Wirral plan, ensuring that statutory functions continue to be delivered and that enabling functions provide best value for money. Already the Council has examined and challenged the way services are delivered looking for improvements in the effectiveness of services to produce savings. It has also challenged the methods of delivery, who is delivering services the most cost effective services.

The increasing deficit to 2023 coupled with the ability of the Council to continue to get “the same for less” will become increasingly difficult and the emphasis for future years will be on the challenging services the Council continues to fund, integrating with partner organisation to get focus on the overall “public purse” and ensuring that efficient ways of working is at the heart of the organisation. Efficiencies alone will not resolve the funding gap. Difficult decisions on the range of services provided will need to be made and the Wirral Plan sets out the vision and framework for those decisions.

To be successful, the Council will call on all Wirral residents to play their part for example in playing an active role in the community and supporting local shops and businesses.

Conclusion and Next Steps

The financial challenge is considerable. For Wirral this means a funding gap of £67m over the next 4 years against an overall net expenditure of less than £300m per annum.

To respond and deliver the Wirral Plan the Council will over the period of the MTFS increase income, invest in services that support the delivery of the 20 Pledges and review what we do through Getting the Basics Right.

The total financial resource of the Council and its partners needs to be maximised, prioritised and channelled to the right areas and activities. All financial planning activity will be targeted towards ensuring that resources are matched to the priorities identified in the Wirral plan, ensuring that services continue to be delivered and enabling the provision of best value for money.

The successful delivery of the Wirral Plan and the MTFS in this challenging period is dependent on:

- A continuation of the new and focused approach to economic development in the area driving jobs and growth as the key to increasing and growing funding levels and sources. But also improving well-being for residents and bringing individual and organisational financial stability and resilience.
- A community approach to decisions and delivery with active community involvement with Wirral Together resulting in communities finding their own solutions and heling the area.
- A focus on early help and prevention to support independence and reduce demand on service.
- The prioritisation of resources to key areas.

The MTFS and budget development for 2019/20 will reflect the realignment of the Council, allocation of resources and its approach to financial strategy over the next four years. This will drive our approaches that will also lead to balanced sustainable budgets that support all Wirral residents, communities and businesses.

MEDIUM TERM FINANCIAL PLAN 2019/20-2022/23

A sustainable financial strategy to support our 20 Pledges

Financial Resilience Plan

Financial Resilience Plan: Management of Expenditure and Income

Introduction

The financial position for local councils continues to be challenging. To respond over the period, improving and maintaining financial resilience is a requirement that the MTFS needs to incorporate. It is about coping with the financial shocks and unpredictable events that take place. There are a number of ways of building resilience:

- Management of Spare resources.
- Use of Reserves.
- Income Generation.
- Forecasting and management of expenditure.
- Developing a holistic view of expenditure and spending.
- Rethinking the way services are delivered.
- Anticipating what is going to take place.

However, of these, two emerge as the main ones as follows:

- Improved Internal Financial Management - A major aspect of financial resilience is managing in changing conditions and contexts.

- Increased Income- Diversification of income through various Council approaches such as regeneration and commercialisation.

Review of Financial Resilience 2018/19

During the early part of 2018 a review of the Council's Financial Resilience and Financial Management has occurred with the aim of making this a key part of the delivery of the MTFS to 2023. This was started for the following reasons:

- Increasing Financial Pressures on local government raising the profile of the strength of financial resilience in the sector. High profile examples such as Northamptonshire County Council demonstrate that the sector is facing a number of stresses and strains following the austerity programme that commenced in 2010 with the election of the coalition government

- Wirral financial performance and resilience changing over the last two years. The council has faced increasing financial pressures in both 2016/17 and 2017/18. While the overall outturn for the Council for both years has been favourable there has been a reliance on one-off funding such as balances and in year solutions to mitigate and put in place actions to resolve adverse financial pressures that developed in major service areas part way through both financial years. Linked to this the following has been identified:

    - A clear reduction in the level of earmarked reserves. There has been an increasing use of earmarked reserves as temporary budget funding while budget proposals are implemented.

- Short term financial planning. The budget for 2018/19 was for one year only, rather than across a wider MTFS timeframe. There has been limited planning for future years savings and increased additional income.

- An increasing tendency for services to have unplanned overspends and/or carry forward the implementation of financial proposals from one year to the next.

- Increasing size of the budget gap with a higher proportion of the solutions being found from one-off funding if no specific savings and additional income having been identified.

- Organisational changes and a new senior management structure. A new structure presents an opportunity to review financial roles and responsibilities to ensure that there is appropriate management of budgets and understanding of roles and responsibilities.

- A new approach to budget preparation and management through greater Member involvement via portfolio responsibilities.

Building Financial Resilience: Review Findings and Action Plan

A combination of financial pressures in the last few years combined with increasing challenges in future years plus organisational changes make it an important priority to refresh and renew the Council approach to its financial resilience. Building financial resilience is a key part of the MTFS planning for our finances. A major part of this is getting the basics of financial management right especially given the pressures and changes that have occurred over recent years.

During 2018, we have tested our financial resilience plan with a diagnostic tool, the CIPFA Financial Management Model. The tool was used to assess the financial management arrangements in the operation and its findings are summarised in the points below:

Strengths

The high level strengths identified included:

- The outcomes based focus of the Wirral Plan demonstrates a willingness by Members and the Senior Leadership Team to be open to new ideas on how services might be delivered in future.
- The determination and commitment of the Senior Leadership Team and the Cabinet to instil a culture of financial discipline throughout the organisation.
- A budgeting process for 2018/19 and 2019/20-2022/23 that was becoming more grounded and rigorous.
- There are pockets of good practice in the Council.
- The Director of Finance has begun to raise the influence and profile of the Finance team on strategic issues.

Development areas

The areas for development:

- There is a pressing need to agree a Medium Term Financial Strategy and associated transformation plan to address the projected spending gap.
- The future delivery of the Medium Term Financial Strategy and transformation plans are dependent on changing the existing culture within the Council.
- Members and senior officials need to more explicitly set a tone that financial discipline is important.
- Focusing the finite resources of finance and audit on the key areas of financial risk.
- Further developing the enablers that provide effective financial management.

The Council continually reviews and improves its financial resilience to ensure it can demonstrate long-term financial sustainability. Since the diagnostic has been carried out, the areas for development have already been progressed and programmes are in place to support these.

The programme has 4 elements being the 4 elements for financial resilience:

- Getting routine Financial Management Right.
- Benchmarking – making this routine.
- Clear plans for the delivering savings.
- Prudent use of reserves.

General Fund Balances and Earmarked Reserves

Introduction

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

The Council's approach to how it manages its reserves is based on Wirral's local circumstances. The amount held is decided by the Council in line with its perceived future local demands. As such there is no standard approach to the level of reserves that could be applicable to every Council. Despite the certainty given by the four year funding settlement the financial future for the Council continues to be challenging and a number major uncertainties remain. In determining the appropriate level, the Section 151 Officer has assessed a number of local factors. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (Chartered Institute of Public Finance and Accountancy, the professional body which issues the guidance in this area).

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

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

Over 2016/17- 2018/19 the overall level of available funds has and will continue to reduce. The use of one off support was planned for these years to close the budget gap. However, for future years the budget gap will be closed through the implementation of the new financial proposals and additional income. Any bridging of the gap using general fund balances and earmarked reserves will only be considered as a last resort and will only happened in the early part of the MTFS timeframe.

General Fund Balances

Wirral Council's risk-based reserves strategy is applied in the context of the current state of the economy, the other financial risks facing the council and the underlying financial assumptions within the medium term financial plan. The level of the Working Balance must be maintained at £10m for 2018/19.

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. CIPFA guidance issued in 2014 states that 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.

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.

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 considers 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

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

This has been Wirral Council's 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 Council's assessment are like those recommended by CIPFA guidance.

The calculation of the level of General Reserves Balances is as follows:

	2017/18	2018/19
Assessed Minimum Level of Balances	£10.0m	£10.0m

In is current anticipated that this level will be maintain across the MTFS timeframe.

Earmarked Reserves

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

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION To support the Transformation programme, which includes support to to deliver future savings and the reconfiguration of services.
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer.

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.

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.

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.

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.

Monitoring and Management

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

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

Summary

Although the budget position is very challenging and will remain so for the foreseeable future, the Section 151 Officer considers the level of reserves and balances to be reasonable for 2019/20-2022/23 based on:

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

The Council uses its reserves instead of making budget reductions the level of reserves held will reduce as they are used up. Reserves are being used in 2018/19 In future years will only be used to smooth budget changes. However, the budget changes required to balance the budget cannot be avoided using balances. In addition, using reserves means that the Council is less likely to be able to fund unforeseen events or plan for future transformational changes without the need to make further reductions in expenditure. A financial priority is the bolstering of reserves to fund support to future changes and provided financial resilience during the MTFS timeframe.

Capital and Treasury Management

Balance Sheet Management

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

The Council already has embedded processes to review its fixed assets through the asset management strategies, for treasury management and borrowing. Over the course of 2018/19 it will undertake a self-assessment of the process for managing and making provisions for outstanding debtors to ensure that it is effective and will implement any appropriate changes.

Capital Overview

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

Capital Strategy

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

The key aims of the Capital Strategy are:

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

Treasury Management

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

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

Revised editions of the CIPFA Prudential Code for Capital Finance in Local Authorities and CIPFA Treasury Management Code of Practice were published in November 2011. The Council has adopted the codes and the Treasury Management Strategy Statement 2018-21 reflects the updated codes.

WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **16 JULY 2018** **FINANCIAL MONITORING** **OUT-TURN 2017/18**

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

"Continued Government austerity – combined with increasing demand for and cost of services – makes delivering a balanced, sustainable and fair budget ever more difficult.

It is a challenge we have never shied away from and once again, thanks to the hard work of Council officers and the Administration, we have delivered - we have balanced the budget, we have made the savings demanded of us, and we have continued to provide the services residents most rely on."

REPORT SUMMARY

This report details the out-turn for 2017/18 and concludes the reporting to Cabinet for the 2017/18 financial year. There are separate Appendices for Revenue (including details of the reserves), Capital (including resources used to fund the Programme) and the Collection Summary (including Council Tax, Business Rates and Sundry Debts).

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

RECOMMENDATIONS

1 Revenue

a) The revenue out-turn indicates a variance of £2.9 million of expenditure less than budget in 2017/18. This planned variance is as a result of good financial management practices and is required to supplement the budget gap in 2018/19.
b) The General Fund Balances at 31 March 2018 of £24.8 million, with £14.6 million agreed to be used in the Budget 2018/19, be noted.
c) The Earmarked Reserves totalling £54.9 million confirmed.

2 Capital

a) The additional re-profiling of £10.3 million from 2017/18 to 2018/19 be noted.
b) The financing of the Programme for 2017/18 be noted.
c) The Programme for 2018/19 and beyond be kept under review to ensure it is realistic and deliverable.

3 Collection Summary

a) The increase in Council Tax in-year collection rate from 95.4% in 2016/17 to 95.5% in 2017/18 be noted.
b) The increase in Business Rates collection rate from 97.6% in 2016/17 to 97.9% in 2017/18 be noted.
c) The increase in Sundry Debts from £26 million at 31 March 2017 to £29.8 million at 31 March 2018 be noted.
d) That the sundry debts for Adults Social Services and Other Directorates detailed in the report be written-off against the Provision for Bad Debts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

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

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

3.1 Throughout the financial year Cabinet received Monitoring Reports in respect of Revenue (including income and debt collection) and Capital. This report is a summary of the actual out-turn for 2017/18.

3.2 The last monitoring reports were for Quarter 3 and were considered by Cabinet on 19 February 2018. Since the end of March work has been on-going in order to conclude the accounts for the financial year.

3.3 The detail contained within the Appendices informs part of the Annual Statement of Accounts for 2017/18. The Statement has to be issued on 31 May 2018. It is then subject to review by the appointed External Auditor (Grant Thornton UK LLP) and will be considered by Audit & Risk Management Committee on 23 July 2018. The Statement has to be published by 31 July 2018.

REVENUE OUT-TURN

3.4 See Appendix 1 for details.

CAPITAL OUT-TURN

3.5 See Appendix 2 for details.

COLLECTION (INCOME)

3.6 See Appendix 3 for details.

4.0 FINANCIAL IMPLICATIONS

4.1 The financial implications detailed within the Appendices.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

7.1 There are none associated with the summary of the financial position for 2017/18. The position has been monitored throughout the year and has been the subject of monthly reports to Cabinet.

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITIES IMPLICATIONS

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

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APPENDICES

Appendix 1 Revenue Out-turn 2017/18.
Appendix 2 Capital Out-turn 2017/18.
Appendix 3 Collection Summary 2017/18.

REFERENCE MATERIAL

CIPFA Code Of Practice On Local Authority Accounting In The UK 201718.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2015.

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REVENUE OUT-TURN 2017/18

REPORT SUMMARY

This Appendix informs Cabinet of the Revenue Out-turn for 2017/18 including details of the level of General Fund Balances and reserves at 31 March 2018.

RECOMMENDATIONS

That:-

a) The revenue out-turn indicates a variance of £2.9 million of expenditure less than budget in 2017/18. This planned variance is as a result of good financial management practices and is required to supplement the budget gap in 2018/19.
b) The General Fund Balances at 31 March 2018 of £24.8 million, with £14.6 million agreed to be used in the Budget 2018/19, be noted.
c) The Earmarked Reserves totalling £54.9 million be confirmed.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts by 31 July 2018.

3.0 BACKGROUND INFORMATION

MONITORING 2017/18

3.1 The 2017/18 Budget was agreed by Council on 3 March 2017. Changes since the approval of the budget have been detailed in the tables below and comprise variations approved by Cabinet / Council including approved virements; budget realignments reflecting changes to the Councils organisational structure and responsibilities; the allocation of savings and the contingency; any technical adjustments. In Table 1 the budget is aligned to themes.

Table 1: 2017/18 Original & Revised Net Budget by Wirral Plan Themes

	Original Net Budget	Budget Change During Year	Revised Net Budget
	£000	£000	£000
People - Children & Families	80,616	- 2,323	78,293
People - Adult Social Care and Health	75,509	2,469	77,978
Environment	60,719	8,811	69,530
Business	37,438	768	38,206
Contingency	12,000	- 8,500	3,500
Net Cost of Services	**266,282**	**1,225**	**267,507**

3.2 Throughout the financial year Cabinet received Revenue Monitoring reports for each quarter. In setting the Budget for 2017/18 it was recognised that on-going financial pressures mainly within social care, both Children's and Adults should be recognised and were mitigated with the Revenue Budget Contingency. Its allocation was monitored during the year through regular reports to Cabinet. Following a review of the financial position and having regard to the 2016/17 out-turn it was agreed when reporting quarter 1 in July 2017 that £8.5 million of the Revenue Budget Contingency be allocated. This related to £5 million within People – Children & Families, £2 million in People – Adult Social Care and Health and £1.5 million in Business.

3.3 The last monitoring report, for Quarter 3 (Cabinet 19 February 2018) projected a General Fund underspend of £1.3 million being a combination of both overspending and underspending in specific services. Whilst overspending was principally due to demand pressures within Adult and Children Care Services this was mitigated by underspending within Environment and Business Services. This was largely attributable to the adoption of the annuity method for calculating Minimum Revenue Provision (MRP) in respect of capital financing and has resulted in a significant one off saving in 2017/18. This was compensating for overspends elsewhere in the 2017/18 budget at the end of the quarter.

3.4 The 2017/18 out-turn was an underspend of £2.9 million. The following provides further details including reasons for variations. The Financial Monitoring reports identified the progress made by theme and function throughout the year. A number of the advantageous variances in 2017/18 are either one off or have been reflected in the 2018/19 budget. This means that while the final position for the year was favourable it is largely attributable to actions that have been taken and cannot be viewed additional and on-going. The pressures within Social Care, both in Children's and Adults services remain and will require close scrutiny in current financial year. To this end additional funding is included in the 2018/19 Budget for both services. This is to manage the financial pressures, mitigate a number of financial risks and to

bridge the implementation of transformational savings in Children's Social Care, in future years.

Table 2: 2017/18 Projected / Actual Variations by Wirral 2020 Plan Theme Basis

Themes and reasons for variances from budget	Budget £million	Outturn £million	Variance £million
People: The main reasons behind the overspend are pressures within the Looked After Children placements, increased demand for services and agency expenditure on social workers. There are also a number of savings that were unachieved in 2017/18.	156.3	160.8	4.5
Environment: This is largely due to slippage in implementing savings options. This is across income targets in Sports and Recreation and also contract negotiations within Waste & Environment	69.5	71.7	2.2
Business: Underspend in this area is mainly due to a one off MRP adjustment in treasury management and the on-going use of internal funds to minimise the requirement for external borrowing which defers the need to borrow and delivers one off savings.	38.2	32.1	(6.1)
Revenue Budget Contingency	3.5	0	(3.5)
OVERALL UNDERSPEND	267.5	264.6	(2.9)

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

LEVEL OF GENERAL FUND BALANCES

3.6 The level of balances is locally determined using a risk-based assessment which takes into account the strategic, operational and financial risks facing the Council. The approach was adopted during 2017/18 and Cabinet 20 February 2017 agreed to the level of balances being set at, or above, the locally determined figure.

3.7 When setting the Budget 2017/18 the projected balances were £10.0 million. This level was similar to 2016/17 and excluded an amount to cover the potential non delivery of savings. This was mitigated through the inclusion in the budget of the Contingency.

3.8 The General fund balance as at the end of 2017/18 is £24.8 million. The Budget 2018/19 includes the commitment of £14.6 million of these balances to fund the Revenue Budget including the contingency maintained to cover identified financial risks. In addition the balances will be supplemented in 2018/19 by an agreed Collection Fund surplus receipt of £1.4m. These commitments will take the level of balances that are available to £10.2 million.

Table 4: Summary of the General Fund balances

Details	£m
Balance at 31 March 2017	25.7
Less: Contribution to 2017/18 Budget Add : Collection Fund Surplus Add : Outturn 2017/18 Underspend Less: Contributions to Reserves and in-year support to specific items Add : Transfer from Earmarked Reserves	-15.7 +4.6 +2.9 -3.2 +10.5
Actual Balance 31 March 2018	24.8
Add: Collection Fund Surplus Less: 2018/19 Commitment to Support Budget Delivery	1.4 -16.0
Available Balance 31 March 2018	10.2

The former Audit Commission guidance for good financial management and resilience was that general fund balances should be between 3% and 5% of the net budget. The general fund balance of £10.2 million represents 3.4% of general fund balances.

COLLECTION FUND

3.9 During 2017/18 the Council was part of the Liverpool City Region 100% Business Rates Retention Pilot. Under the arrangement the Council retains 100% of the business rates collected, with certain grant payments such as Revenue Support Grant ceasing but being compensated for via the higher percentage of business rates retention.

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

Table 5: Collection Fund Balance As At 31 March 2018

	£000
Council Tax	1,471
Business Rates (NNDR)	-3,070
Net Surplus	-1,599

3.11 For 2017/18 the Fund showed a deficit of £1.6 million. This related to NNDR appeals and subsequent payments to businesses that reduced the income due for the year. The deficit will be recovered in future years through the fund.

PROVISIONS FOR BAD DEBTS

3.12 Performance on the recovery of debts are contained in the Collection Summary 2017/18 which details the level of debts at the year-end and debts written-off in the year.

Table 6: Provision for Bad Debts

	At 31 Mar 2018	At 31 Mar 2017
	£000	£000
General Fund		
Sundry Debtors	8,137	9,330
Summons Costs	836	669
Housing Benefit	9,927	9,571
Collection Fund		
Business Rates	3,082	1,584
Council Tax	10,252	12,171

RESERVES

3.13 Earmarked Reserves decreased by £0.2 million from £55.1 million at 31 March 2017 to £54.9 million at 31 March 2018. While the net movement in reserves in the last financial year is small, there has been use over the last two years not only to support specific projects but also to the annual budget with assistance provided to mitigate a number of financial risks. This support has been through a reallocation of unused reserves to General Fund Balances. The categories of reserves are as follows:-

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION Support the Transformation programme, which includes support to projects to deliver future savings and the reconfiguration of services.
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer, planned maintenance and parks improvements.

3.14 As in previous years all Reserves, which are sums set-aside for specific purposes, were reviewed and those no longer required returned to General Fund balances. This released £11.2 million. Other significant movements included: £1.3 million use of the Waste Fund; the deployment of £2.9 million of the Transformation Fund to support the implementation of the Transformation Programme.

3.15 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2018 the balances held by schools totalled £10.2 million (£10.5 million at 31 March 2017) and these can only be used for schools' purposes. A number of other reserves also relate to Schools.

3.16 The Insurance Fund reserve was £7.5 million at 31 March 2018 (£9.9 million at 31 March 2017). The Fund decrease is linked to a favourable assessment of future claims and liabilities that has led to a reduction in the amount held in the reserves. This formed part of the £2.5 million release by the Fund to General Fund Balances.

3.17 A full list of earmarked reserves can be found at note 10. - Statement of Accounts 2017/18.

4.0 FINANCIAL IMPLICATIONS

4.1 The Revenue out-turn for 2017/18 showed an underspend of £2.9 million. The General Fund Balances at 31 March 2018 were £24.8 million (of which £14.6 million was allocated in the Budget 2018/19). The Earmarked Reserves at 31 March 2018 totalled £54.9 million.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

7.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2017/18 and the balances at 31 March 2018.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITIES IMPLICATIONS

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

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REFERENCE MATERIAL

CIPFA Code of Practice on Local Authority Accounting In the UK 2017/18.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit Regulations 2015.

SUBJECT HISTORY

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

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APPENDIX 2

CAPITAL OUT-TURN 2017/18

REPORT SUMMARY

This Appendix details the Capital Out-turn for 2017/18, the resources used to fund the Programme and provides a review of the progress of the delivery of the agreed Capital Programme.

RECOMMENDATIONS

a) The additional re-profiling of £10.3 million from 2017/18 to 2018/19 be noted.
b) The financing of the Programme for 2017/18 be noted.
c) The Programme for 2018/19 and beyond be kept under review to ensure it is realistic and deliverable.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 The Council is required to make a number of formal Determinations in respect of its capital expenditure and financing and this report includes those for the 2017/18 financial year.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

MONITORING 2017/18

3.1 The Capital Programme 2017/18 was considered by Cabinet on 20 February 2017 and approved by Council on 6 March 2017. The Programme is based on the Wirral Plan priorities, Government Grant announcements and scheme affordability. It was highlighted that the Council's Revenue Budget position limited the scope for unsupported capital expenditure.

3.2 Cabinet received regular updates in respect of capital monitoring throughout the year. The last monitoring report, for Quarter 3, was considered by Cabinet on 20 February 2018. Since then work has been on-going in order to conclude the accounts for the financial year.

3.3 During the year the Programme was regularly reviewed in order to re-profile the Programme which resulted in schemes being deferred to 2018/19 along with the supporting funding. This continued to deliver one-off Treasury Management savings through a reduced need to borrow in 2017/18.

CAPITAL OUT-TURN

3.4 The capital expenditure for the year was £46.9 million compared to the Revised Programme of £59.4 million which was reported in February 2018 (Quarter 3). This is summarised in Table 1.

3.5 Included in the out-turn are the Formula Capital schemes delegated to schools.

Table 1: Capital Programme 2017/18

Spend	Capital Strategy	Revised December	Actual Out-turn
Themes	**£000**	**£000**	**£000**
Business	32,760	34,323	26,946
Environment	16,769	5,375	4,547
People	12,250	7,123	6,333
Transformation	15,740	12,550	9,027
Total Programme	**77,519**	**59,371**	**46,853**

3.6 Cabinet has previously approved amendments totalling £18.1 million to the originally approved programme, as reflected in the position for Quarter 3. Since then a further £10.3 million has been identified to be deferred until 2018/19. There is a reduced requirement of £3.2 million for transformation schemes that were to be funded by the flexible use of capital receipts.

Table 2: Significant variations (> £.0.2 million) identified since Quarter 3

Scheme	£000
Business - re-profiling	
Bridges	-707
Dock bridges replacement	-610
Transport for Growth	-2,168
Sustainable Transport Enhancement Programme (STEP)	-702
Street lighting and LED replacement	-349
Fund to assist land assembly and re-sale	-246
Data centre	-339
Business Investment Fund	-551
Investment in properties	-1,156
Wirral Waters Investment Fund	-205
Other minor variations	-344
	-7,377

Scheme	£000
Environment - re-profiling	
Cemetery Extensions and Improvements	-226
Soft play areas in leisure centres	-410
Flood alleviation	-244
Other minor variations	52
	-828
People - re-profiling	
Pensby Wood remodelling	-310
Primary Places	-742
Family support	-157
Formula capital expenditure	362
Other minor variations	57
	-790
Transformation	
Children's services - re-profiling	-330
Other transformation schemes - reduced requirement	-3,193
	-3,523
Overall total variation	**-12,518**

3.7 The schemes which have been re-profiled to 2018/19, as highlighted in paragraph 3.6. has delivered in-year revenue savings of £0.110 million in respect of a reduced cost of borrowing.

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

3.8.1 **Business**

In order to create efficiency savings £1.4 million was spent on works to increase building occupancy. The most significant schemes have taken place at Wallasey Town Hall and Bebington Civic Centre/Town Hall including the re-location to West Kirby Concourse.

The refurbishment of the Treasury Building to provide modern fit for purpose accommodation is progressing well and is approaching completion. The refurbished accommodation will bring together all the Authority's IT staff.

Investment into highways was in excess of £4.6 million. The majority of the expenditure was incurred on 10 non principal roads (£0.45 million), 14 principal roads (£0.83 million), 29 unclassified roads (£1.18 million) and 33 Transport for Growth schemes (£0.83 million). Most works related to asphalting, surface dressing and reconstruction.

The 2 most significant schemes as part of the Sustainable Transport Enhancement Programme (STEP) were access improvements to the East Float (£0.26 million) and the Croft retail park (£0.24 million).

The highways maintenance contract is ending this coming October. The maintenance work of £2.1 million is being re-profiled into 2018/19.

Work is complete on the Dock Bridges replacement and the bridge re-opened at the end of June.

The purchase of the Europa Building (£8.8 million) is the first that forms part of the Strategic Acquisition Programme that supports the key economic goals and aspirations of the Council as set out in the Strategic Regeneration Framework and Wirral Growth Plan.

Work is continuing on the cyber security/windows 10 rollout project (£0.9 million spent in 2017/18) with the additional security features enabling increased security against threats including cyber-attacks.

Approximately £1.1 million was spent on mitigating the risk of having 2 data centres within the Treasury Building. One of these has now been located to Merseytravel.

3.8.2 **Environment**

The majority of the works required at the Transport Museum have been completed this year. These were the creation of a new entrance hall, reception area, shop, café and kitchen alongside improved museum display areas. Upon completion the facility will be fully DDA compliant.

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

The Home Improvement project, on which £0.5 million has been spent, provides a continuation of both financial assistance and intervention to remedy poor housing conditions in the private sector, including serious disrepair/hazards, poor or no heating provision, low market demand and bringing long term empty properties back into productive use.

A government grant received as part of the LCR Empty Homes Programme funded 2 schemes which were both completed in 2017/18 - the Old Court House and the Ark (£0.350 million).
Works continued (£0.3 million) with the Parks Rationalisation Programme, including addressing health and safety concerns to address issues such as traffic and pedestrian zones at Cleveland Street Transport Depot, providing new fit for purpose compliant welfare accommodation at Ashton Park and Arrowe Park depots and improved security at Ivy Farm.

3.8.3 **People**

Government Grants funded almost 90% of the investment in schools in 2017/18 and is subject to future annual announcements. All works are undertaken with schools and mindful of the impact upon the service are largely arranged for completion outside of term-times. These factors impact upon the timing of the actual spend with frequent revisions to be accommodated. With over £4.8 million invested during 2016/17 some of the key projects are detailed in the following paragraphs.

Meadowside Special School: Construction of new hydrotherapy pool and changing facilities. The design is fully accessible for all pupils and includes new boiler plant room, showers, medical rooms, improved heating system, improved lighting and new internal and external windows. The project has been completed and the new hydrotherapy pool will be ready to use in July 2018 after full commissioning.

Town Lane Infants: This completed project is part of our pupil place planning and includes the expansion of the building and internal modernisation. New classrooms have been constructed with new toilets, resource areas, early year's provision, improved heating and lighting, external access and play areas.

Elleray Park Special School: This scheme has provided new classrooms and internal re-configuration. It has also enhanced the existing flat roof system and ensures the building has many years of protected life for our SEN pupils. The work was completed before the start of the winter months.

Heygarth Primary School: This project is part of the pupil place planning strategy that links in to area regeneration. The project is now on site and due for completion in October 2018. It provides the school with two additional classrooms, internal re-configuration to two areas within the school, new resource spaces and improved outdoor space.

Woodchurch Road Primary School: The main roof structure was found to be causing problems with water ingress in various areas. As a consequence the roof has been fully renewed.

Work is continuing to remodel Pensby Wood with a further £0.9 million spent in 2017-18. Completion of the project will ensure the long term investment and sustainability for the provision of this specialised service.

CAPITAL FINANCING

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

Table 3: Capital Financing 2017/18

Resources	Capital Strategy	Revised December	Actual Out-turn
	£000	£000	£000
Borrowing	35,121	24,649	18,138
Capital Receipts	17,677	13,802	10,418
Grants	20,571	19,444	17,763
Business Rates	4,000	550	345
Revenue and Reserves	150	926	189
Total Resources	**77,519**	**59,371**	**46,853**

3.10 The re-profiling referred to earlier has seen the schemes and associated funding deferred until 2018/19.

CAPITAL RECEIPTS

3.11 Table 4 shows the movements in the Capital Receipts Reserve during 2017/18. Receipts for the year totalled £6.532 million with £1.672 million available at 31 March 2018.

3.12 In accord with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2022 can be used to support transformation of services that results in efficiencies. This has been reflected in the Capital Programme for 2017/18 onwards.

Table 4: Capital Receipts Reserve

	£000
Balance as at 1 April 2017	**5,558**
Add : Receipts during the year	6,532
Less : Used to part fund the Capital Programme	-1,391
Less : Flexible use of receipts to fund transformation schemes	-9,027
Balance as at 31 March 2018	**1,672**

3.13 Of this balance £0.966 million is available to fund the Transformation Programme and £0.706 million to fund the ongoing Capital Programme

4.0 FINANCIAL IMPLICATIONS

4.1 The capital expenditure for the year amounted to £46.853 million. This was funded from borrowing of £18.138 million, Government Grants of £17.763 million, capital receipts of £10.418 million, ring-fenced business rates of £0.345 million and revenue/reserves £0.189 million.

4.2 The re-profiling of schemes from 2017/18 to 2018/19 has seen the funding similarly re-profiled. This includes the planned borrowing which has been deferred and has contributed towards the in-year savings on Treasury Management activities within the revenue budget.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

7.1 There are none associated with this report which provides a summary of the expenditure and financing of the Capital Programme in 2017/18. The Programme has been monitored throughout the year and by reports to Cabinet.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITIES IMPLICATIONS

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

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REFERENCE MATERIAL

CIPFA Code of Practice on Local Authority Accounting In the UK 2017/18.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2015.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Out-turn 2014/15	13 July 2015
Cabinet - Out-turn 2015/16	18 July 2016
Cabinet - Out-turn 2016/17	26 June 2017
Cabinet – Budget 2017/18	20 February 2017
Council – Budget 2017/18	6 March 2017
Cabinet – Capital Monitoring 2017/18	Quarterly reports

APPENDIX 3

COLLECTION SUMMARY 2017/18

REPORT SUMMARY

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

RECOMMENDATIONS

a) The increase in Council Tax in-year collection rate from 95.4% in 2016/17 to 95.5% in 2017/18 be noted.
b) The increase in Business Rates collection rate from 97.6% in 2016/17 to 97.9% in 2017/18 be noted.
c) The Sundry Debts of £29.8 million at 31 March 2018 be noted.
d) That the sundry debts for Adults Social Services and Other Directorates detailed in the report be written-off against the Provision for Bad Debts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

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

2.0 OTHER OPTIONS CONSIDERED

2.1 The report presents a summary of the collection performance for 2017/18 and no other options were considered.

3.0 BACKGROUND INFORMATION

COUNCIL TAX

3.1 As a result of reduced backlogs and various steps taken to improve processing time, the in-year collection rate increased from 95.4% in 2016/17 to 95.5% in 2017/18.

3.2 **Collection Summary 2017/18**

	£	£
Arrears Brought Forward at 1 April 2017		21,568,667
Total Charge 2017/18		180,710,028
		202,278,695
Less Credits Brought Forward at 1 April 2017		1,476,210
		200,802,485
Less Adjustments	16,129	
Council Tax Support	26,936,136	
Write-offs	4,971,187	
		31,923,452
		168,879,033
Add Refunds Made		1,382,159
Add Costs		1,389,611
		171,650,803
Less Cash Received		152,212,134
Arrears Carried Forward at 31 March 2018		19,438,669

Irrecoverables

3.3 Recovery of Council Tax is maximised wherever possible and year on year collection continues to be high. In some circumstances, however, cases need to be put forward for write off, for example, where the liable person is deceased with no estate or the person cannot be traced.

3.4 In addition to normal on going recovery action, additional resources were allocated in 2017/18 to review all outstanding debt. This exercise highlighted debt that had been through all recovery action that was possible, including referrals to Enforcement Agents and Trace Agencies. The only cases to be written off were ones were there was no further cost effective recovery action possible. The Bad Debt provision for 2017/18 was £11.8 million. The write off categories are as follows; -

Category	2016/17	2017/18
	£	£
Deceased	71,292	108,016
Insolvency	325,961	431,504
Court Remission	848	0
Non-traceable	580,549	426,276
Uncollectable (old debt)	897,557	4,005,390
Total	1,876,207	4,971,186

3.5 **Statistics**

	31 Mar 2017	31 Mar 2018
Number of properties	147,760	147,760
Number of Council Tax Scheme Recipients	33,419	32,594
Council Tax Collection	95.4%	95.5%

BUSINESS RATES (NATIONAL NON DOMESTIC RATES)

3.6 The collection rate of 97.9% in 2017/18 was an increase from 97.6% in 2016/17. As reported last year the Valuation Office Agency finalised a number of outstanding assessments/appeals which included two major sites.

3.7 **Collection Summary 2017/18**

	£	£
Opening Debit		90,788,735
Plus Balance Brought Forward		5,325,425
Less Credit Brought Forward		-1,441,230
		94,672,930
Allowances		
Assessment changes in year	-6,037,853	
Transitional Relief	1,907,122	
Empty relief exemptions	- 3,608,405	
Part Occupation relief	-47,322	
Void Property Relief	0	
Charitable Organisations	-6,369,150	
Hardship	0	
Small Business Rate Relief (SBRR)	-9,236,900	
Multi Occupation SBRR	-21,185	
Local Disc/Flood/Retail	- 611,233	
Enterprise Zone Discount	-74,250	
Re-Occupation Relief	1,267	
Write-Offs	-975,585	-25,073,494
		69,599,436
Add costs		49,987
		69,649,423
Less Cash Received		-64,724,428
Balance Carried Forward		4,924,995

Irrecoverables

3.8 The Bad Debt provision for Business Rates is £3.2 million in 2017/18 and those written-off by category in 2017/18 were:-.

Category	2016/17	2017/18
	£	£
Absconded/Irrecoverable	990,176	214,204
Insolvency	831,780	760,578
Miscellaneous (including deceased)	-32,952	803
Total	1,789,004	975,585

3.9 **Statistics**

	2016/17	2017/18
Number of Properties on Valuation List	8,420	8,532
Rateable Value	£185,697,584	£190,141,397
New and Altered Property Notifications	345	291
Collection Rate	97.6%	97.9%

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

3.11 The Birkenhead Business Improvement District (BID) includes 650 businesses in the Birkenhead BID Zone that pay a levy of 1.5% of the Rateable Value and covers a period of 5 years. In 2017/18 (year 2) the BID levy raised £457,547, which is reinvested to improve the BID area. The collection rate was 95.5%.

3.12 Wirral is part of the Liverpool City Region pilot whereby it will retains 99% of all Business Rates collected for 2017/18 with 1% being paid to the Fire Authority. Wirral previously retained 49% with 50% going to Central Government and 1% to the Fire Authority. There are now proposals that the government will roll out a 75% retention by all LAs by 2020/21.

3.13 The outcome of the Government review into Business Rates means that from April 2017 businesses with a Rateable Value of £12,000 or under do not pay Business Rates which affects some 5,500 business in Wirral. While a further 500 Businesses with a Rateable Value of £12,000 to £15,000 receive tapered relief. Properties with a Rateable Value of up to 51,000 pay the lower poundage.

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

3.15 The Chancellor of the Exchequer announced measures to help businesses in his budget statement on 8 March 2017 which are to help those affected by the revaluation of properties effective from 1 April 2017. On Wirral the full amount of additional relief of £532k was awarded to support local businesses.

ACCOUNTS RECEIVABLE (SUNDRY DEBTS)

3.16 Accounts receivable, often referred to as Sundry Debtors, are issued in respect of a wide and varying range of services including charges for Adult Social Care .The value of accounts raised through Sundry Debtors continue to be high with invoices totalling £98.6 million raised in 2017/18 and income of £95 million collected.

3.17 **Collection Statement**

	2016/17	2017/18
	£	£
Balance Brought Forward at 1 April	22,624,737	26,063,906
Net Amount of Invoices	97,450,018	98,603,472
	120,074,755	124,667,378
Less Write-Offs	1,516,090	2,026,308
	118,558,665	122,641,070
Less Payments Received	92,494,759	93,627,349
Balance Carried Forward at 31 March	26,063,906	29,013,721

3.18 Included in the 2017/18 total is £6m of debt that was less than 10 days old and a further £16m which was still at reminder stage.

Irrecoverables

3.19 Sums over the limit of delegation £1,000 and below £5,000 require Cabinet approval and for each case over £5,000 explanations are provided to Cabinet. The Bad Debt provision for 2017/18 was £8.13m

3.20 Sums totalling £2,026,308 are proposed for write off comprising £1,889,236 of Adult Social Services debtors and £137,072 of other Departmental debts.

Debt – Value	Adult Social Services		Other Directorates	
	Number	£	Number	£
<£1,000	1,998	416,584	206	45,833
£1,000-£5,000	192	421,236	27	74,819
£5,000	84	1,051,415	3	16,419
Total	2,274	1,889,236	236	137,072

Reason for write off	Adult Social Services		Other Directorates	
	No.	£	No.	£
Deceased	925	730,759	0	0.00
Dept. Advise	0	0	11	8,663
Irrecoverable	624	427,523	25	19,598
Liquidation	0	0	24	68,947
No Trace	3	623	3	477
Settlement	0	0	1	293
Small Amount	351	3,742	11	194
Statute Barred	337	662,120	43	15,957
Uneconomical	34	64,467	118	22,941
Total	2274	1,889,236	236	137,072

HOUSING BENEFIT OVERPAYMENT DEBTS

3.21 The following Housing Benefit overpayment debts were written off in 2017/18.

Reason	**No**	**£**
Elderly	20	10,466
Bankrupt	72	55,559
Deceased	82	80,917
Statute Barred	77	81,631
Small Balance	55	714
Uneconomic to pursue	41	2,925
Total	347	232,212

IRRECOVERABLE DEBTS

3.22 Under delegated powers, the following have been written off in year:-

	£
Council Tax	4,971 187
Business Rates	975 585
Sundry Debtors	2,026,308
Housing Benefits Overpayments	232,215
Total	**8,205,295**

4.0 FINANCIAL IMPLICATIONS

4.1 Debts written off as irrecoverable are charged against the Council provisions for bad debts which are reviewed annually in accordance with the requirements of accounting practice. At 31 March 2018 the provision for Council Tax stood at £11.8 million, Business Rates £3.2 million and Sundry Debts £8.13 million.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITIES IMPLICATIONS

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

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SUBJECT HISTORY

Council Meeting	Date
Cabinet - Collection Summary 2013/14	7 July 2014
Cabinet - Outturn Collection Summary 2014/15	13 July 2015
Cabinet – Outturn Collection Summary 2015/16	18 July 2016
Cabinet - Outturn Collection Summary 2016/17	26 June 2017

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WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **16 JULY 2018** **TREASURY MANAGEMENT** **ANNUAL REPORT 2017/18**

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

"We have an excellent track record of investing public money to deliver a good return, and using the profits to support the services our residents rely on. I am pleased to bring this report to Cabinet which demonstrates this trend continuing.

An organisation the size of Wirral Council has a highly complex cashflow, with money coming in and out on a daily basis as services are provided and paid for. Our job is to manage those resources well, and make sure we maximise the interest we earn and the returns we can generate from sensible, targeted investments. Our approach has been in line with the practice common to all local authorities to increase inter authority lending.

The return we get from these investments supports our services and goes towards offsetting the continuing reductions in support from Central Government."

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 of Housing, Communities and Local Government (MHCLG) Investment Guidance.

Proactive Treasury Management activity has resulted in savings of £6.8 million. This is £0.7 million more than the estimated £6.1 million reported in the Treasury mid-year review. The additional savings resulted due to a combination of increased investment income, securing lower cost loans and further Minimum Revenue Provision adjustments. The £6.8 million total saving consisted of:

- £4.6 million as a result of revising the in-year Minimum Revenue Provision (MRP) calculation.

- £2.2 million in year from interest costs not required due to the use of cashflow.

The level of outstanding long term borrowing that the Council has in regard to Capital expenditure continued to fall in 2017/18. The balance of £182 million at 31 March 2018 includes £32 million relating to Merseyside Residual Body debt (administered by the council on behalf of a group of authorities). There has been a reduction of £82 million since 1 April 2012. This reduction has resulted in lower interest costs for the Council.

The Council has complied with the Prudential Indicators as set out in the agreed Treasury Management Strategy for 2017/18.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

1 That the Treasury Management Annual Report for 2017/18 be agreed.

2 That the revised CIPFA Treasury Management Code (2017) be approved.

3 That the saving of £6.8 million from capital financing activities in 2017/18 be noted.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Wirral has adopted the CIPFA Code of Practice on Treasury Management ("the Code"), which includes regular update reports to Members of treasury activity. This report is the annual review for 2017/18.

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

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

3.1 Treasury management is defined by CIPFA as: "The management of the local authority investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

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

ECONOMIC BACKGROUND

3.3 **Growth & Inflation**: The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar year 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018.

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

3.5 Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018.

3.6 **Monetary Policy**: The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the EU referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening.

3.7 **Market Reaction**: The increase in Bank Rate resulted in higher money markets rates. Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. Further evidence of such market volatility can be seen by looking back at the stock markets. The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018.

3.8 **Impact on Wirral:** The underlying uncertainty surrounding the financial consequences of Brexit has dampened potential economic growth. This has resulted in the continuation of the low interest rate environment in which Treasury Management has been carried out. Low interest rates mean low investment returns, but an opportunity where possible to take advantage of equally low borrowing costs. Over the past year the Council has taken advantage of these low borrowing costs and achieved significant savings in the process.

BORROWING AND DEBT MANAGEMENT

3.9 The Authority's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31 March 2018 was £339.1 million.

	Balance at 01/04/17 £000	Matured Debt £000	New Borrowing £000	Balance at 31/03/18 £000
CFR	**332,378**			**339,074**
Outstanding Debt				
Short Term Capital Debt	11,494	(11,494)	9,965	9,965
Long Term Capital Debt	179,084	(7,582)	0	171,502
Total Capital Debt	**190,578**	**(19,076)**	**9,965**	**181,467**
Temporary Cashflow Loans	28,003	(28,003)	85,331	85,331
Other Long Term Liabilities	47,985	(2,620)	0	45,365
Total External Debt	**266,566**	**(49,699)**	**95,296**	**312,163**

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

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

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

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

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

3.15 As a consequence of the decision to borrow internally, the Authority's level of external long term borrowing has reduced significantly over recent years. The increase in total external debt during 2017/18, (see section 3.8), is the result of the Authority undertaking temporary cash flow loans over the year end period. Utilisation of the short term borrowing market has aided the policy of internal borrowing, whilst enabling the Council to have sufficient liquidity at a lower cost compared to the longer term loan market. Long term external borrowing reduced during the year by £9.0 million.

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

Year ending 31st March	Capital Financing Loans £m	Annual Interest Cost £m
2012	264.3	10.9
2013	247.2	10.5
2014	217.2	9.8
2015	204.2	9.4
2016	199.4	9.2
2017	190.9	9.1
2018	181.8	9.0

3.17 At 31 March 2018 the total external debt included £32.3 million for the Merseyside Residuary Body debt, which along with Wirral is repayable by other external organisations (£38.8 million at 31 March 2017). Wirral administer this debt on behalf of the constituent bodies, for a management fee, with the last loan repayable in March 2026.

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

Loans maturing in 2017/18	Principal £m	Fixed/ Variable	Rate %	Loan start date	Terms
PWLB	3.50	Fixed	5.00	March 2000	Maturity
PWLB	3.00	Fixed	5.38	June 2001	Maturity
PWLB	0.50	Fixed	3.04	February 2010	E I P
PWLB	0.50	Fixed	2.94	March 2010	E I P
PWLB	0.50	Fixed	1.89	October 2010	E I P
PWLB	0.50	Fixed	2.30	November 2011	E I P
SALIX	0.50	Fixed	0.00	October 2015	E I P
Total Maturing Borrowing	**9.00**				

Note: Equal Instalments of Principal (EIP) loans are loans that are repaid in equal instalments spread over the duration of the loan. Maturity loans are repaid in full at the maturity date of the loan.

3.19 The average rate of interest paid on long term borrowings as at 31 March 2018 was 5.83% (5.75% for 2016/17) and the average life is 29 years, the same as for 2016/17. It should be noted that the average rate calculation excludes the benefit received from the policy of using internal borrowing to delay borrowing for capital financing purposes. This incurs a £nil borrowing cost at the expense of foregone investment income (currently approximately 0.51%) and if included would reduce the average rate.

3.20 Temporary, short dated loans, predominantly from other local authorities remain affordable and attractive for periods of low cash flow. Engaging in the inter-local authority loan market has two main advantages to the authority:

- When looking to borrow money, there is a readily available supply of short-term cash available at low interest rates resulting in low interest costs
- If the opportunity arises to invest in a local authority, not only is the investment at a lower credit risk than compared to e.g. a bank deposit, but the interest rate obtainable is similar or higher.

3.21 Maximising opportunities, both in regard to borrowing and investment are key to good Treasury Management practice. This inter-local authority loan market is an important resource and according to MHCLG the popularity of inter-authority lending continued over the last year, rising by 30.0% to reach £9.1 billion at the year end.

Other Long-Term Liabilities

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

3.23 As at 31 March 2018 the PFI liability was valued at £45.4 million to be repaid by 2031.

Minimum Revenue Provision (MRP)

3.24 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 of Housing, Communities and Local Government's Guidance (MHCLG) on Minimum Revenue Provision 2017 (a revision was issued in February 2018).

3.25 Revisions to the guidance included:

- The definition of prudent MRP being changed to "put aside revenue over time to cover the Capital Financing Requirement" (CFR);
- MRP cannot be a negative charge and can only be zero if the CFR is nil or negative.
- Guidance on asset lives has been updated, applying to any calculation using asset lives.
- Any future change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

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

3.27 A revision to the method used to calculate the MRP charge was approved by Council on 11 December 2017 via the Treasury Management Mid-Year Report. This amendment resulted in a saving of £4.6 million during 2017/18.

3.28 In 2017/18 the decision to continue to use internal resources in lieu of borrowing for capital purposes, thereby delaying the charging of MRP costs and the reduction in borrowing costs as illustrated in section 3.15 has helped generate further savings of £2.2 million whilst complying with the Regulations. In future years the temporary use of internal funds will have to be replaced by increased external borrowing so provides a short-term saving.

INVESTMENT ACTIVITY

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

Investment Counterparty	Balance 01/04/17 £000	Investments Made £000	Maturities £000	Balance 31/03/18 £000	Credit Rating
UK Local Authorities	0	13,000	(8,000)	5,000	AA
Banks	11,000	13,000	(18,000)	6,000	AA-
	12,000	6,000	(12,000)	6,000	A
Building Societies	1,000	6,000	(4,000)	3,000	Unrated
Money Market Funds	25,030	402,969	(405,349)	22,650	AAA
Corporate	1,100	850	(300)	1,650	Unrated
Externally Managed Funds	2,000	7,000	(3,000)	6,000	AAA
Total	**52,130**	**448,819**	**(450,649)**	**50,300**	

Note 1: Any unrated Building Societies utilised have been independently assessed as credit worthy
Note 2: Unrated Corporate investments are cash flow facilities backed by suitable financial guarantees.

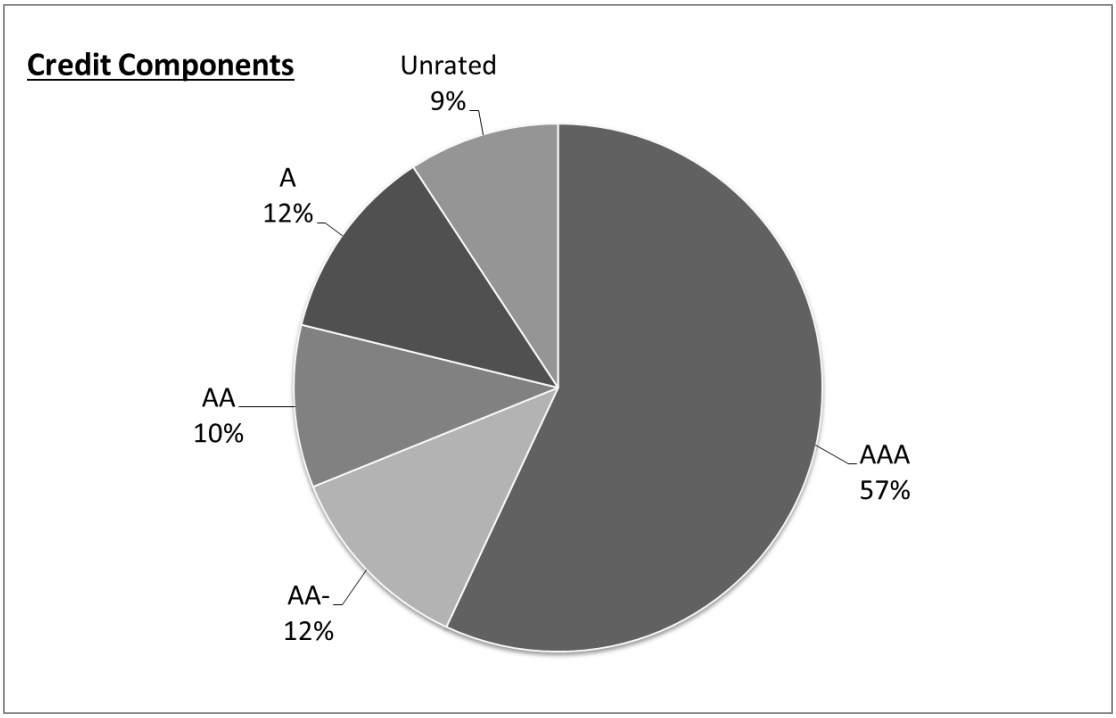
3.30 Security of capital remained the main investment objective. This was maintained by following the counterparty policy set out in the Treasury Management Strategy Statement for 2017/18 which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are based in the UK or a foreign country with a sovereign rating of AA+ or higher.

3.31 The creditworthiness of each counterparty was thoroughly assessed by the Authority's Treasury Management Advisors, Arlingclose who analysed factors such as:

- Credit ratings (the Authority's minimum long-term counterparty rating for 2017/18 was A- across rating agencies Fitch, S&P and Moody's)
- Financial Market indicators (e.g. Credit Default Swaps)
- Financial statements,
- Information on potential government support
- Reports in the quality financial press.

3.32 The following chart shows the credit composition of the Council's investment portfolio as at 31 March 2018:

Chart 1: Investment Portfolio – Credit Components



Note: *'Unrated' components relate to Building Societies and Corporate investments that despite the absence of a formal rating, are either deemed credit worthy due to analysis of their performance over a variety of credit metrics or backed by suitable financial guarantees. These institutions are subject to a lower counterparty limit than those with formal credit ratings.*

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

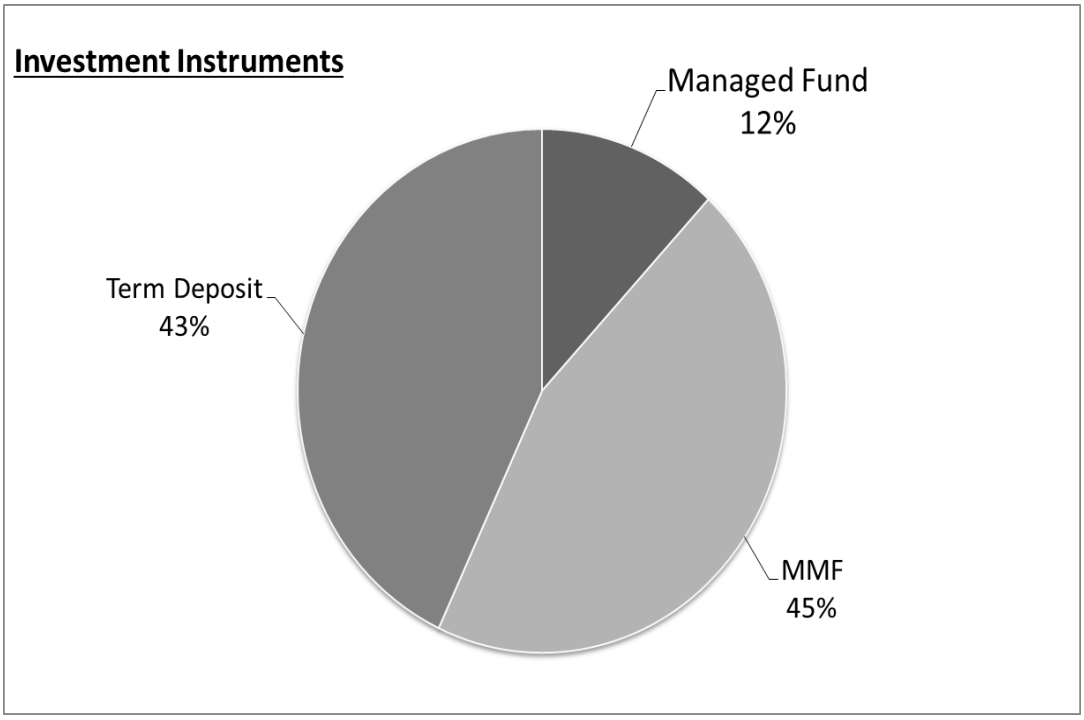
3.34 In keeping with the MHCLG Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of Instant Access accounts.

3.35 The Authority also has investments in externally managed cash plus funds. These are funds managed by an external professional fund manager and consist of shares in a variety of different investments that the fund manager looks after. Using these funds helps to further diversify the Authority's investment portfolio and reduce credit exposure to any particular counterparty. The value of the shares in these funds can go up as well as down. These investments generate income for the Council that is received on a regular basis.

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

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

Chart 2: Investment Portfolio – Financial Instruments



3.38 As stated in the Revenue Monitoring reports the budgeted investment income for the year estimated at £0.56 million was unlikely to be achieved. The final income for the year was £0.30 million with the reduction due to:-

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

3.39 The level of investment income does not reflect the savings of an estimated 2.5% on delayed borrowing for amounts internally borrowed. The UK Bank Rate stood at a historic low of 0.25% until November 2017 when the rate was raised to 0.50%. The return on investments, along with our policy of internally borrowing, reflects prevailing market conditions and the objective of optimising returns commensurate with the principles of security and liquidity.

Credit Rating Developments

3.40 The environment in which Treasury Management is carried out is ever evolving. The creditworthiness of counterparties has the potential to change at any time and it is important for the Authority to be able to react quickly to any changes in credit rating to ensure the ongoing security of its investments. The following notable credit events were dealt with over the past financial year.

3.41 The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. Due to uncertainty regarding the future structure of banks that the Authority deals with, in May 2017 the council's treasury advisors (Arlingclose) advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months.

3.42 The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements.

3.43 In February, Northamptonshire County Council (NCC) were removed as an approved investment counterparty. NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget. In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for 2018/19.

Local Authority Regulatory Changes

3.44 Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management Strategies and monitoring reports.

3.45 The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee

3.46 In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

3.47 Markets in Financial Instruments Directive (MiFID II): This is EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded. One of the aims of the directive is to ensure organisations are only offered investment products suitable to their capabilities. As a result of this directive, from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met.

3.48 The Authority met the conditions to opt up to professional status. The Authority will therefore continue to have access to a wider pool of investment products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice. Being treated as a retail client would not have provided any additional protection for the Council and would have resulted in a restriction on investment opportunities.

COMPLIANCE WITH PRUDENTIAL INDICATORS

3.49 The Authority has complied with its Prudential Indicators for 2017/18, which were approved on 20 February 2017 as part of the Treasury Management Strategy Statement. Details can be found in the Appendix.

3.50 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during 2017/18. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4.0 FINANCIAL IMPLICATIONS

4.1 In the financial year 2017/18 proactive treasury management activities produced a one-off saving of £2.2 million. Adoption of the Annuity method for calculating MRP, as outlined above, increased this to £6.8 million.

4.2 Capital financing debt has reduced to £182 million, a decrease of £82 million since 2012, despite additional annual Capital commitments. This has also contributed to the generation of substantial savings.

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

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Council is responsible for treasury decisions and activity and none of these decisions are without risk. The successful identification, monitoring and control of risk are important and the main risks are:-

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

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no specific consultation with regards to this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

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APPENDICES

Appendix 1 Prudential Indicators 2017/18
Appendix 2 Glossary of Terms

SUBJECT HISTORY

Council Meeting	Date
Treasury Management Annual Report 2016/17	16 June 2017
Treasury Management Strategy Statement 2017/18	20 February 2017
Treasury Management Mid-Year Report 2017/18	6 November 2017

APPENDIX 1

PRUDENTIAL INDICATORS 2017/18

(a) Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2017/18 to 2019/20 are shown in the table below:

Capital Financing Requirement	**31/03/2018 Actual £m**	31/03/2019 Estimate £m	31/03/2020 Estimate £m
General Fund	**339.1**	367.0	370.0

Gross Debt and the Capital Financing Requirement:

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

Debt	**31/03/2018 Actual £m**	31/03/2019 Estimate £m	31/03/20 Estimate £m
Borrowing	**266.8**	296.7	310.5
PFI liabilities	**45.3**	42.8	40.3
Total Debt	**312.1**	339.5	350.8
Borrowing in excess of CFR?	**No**	**No**	**No**

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

(b) Authorised Limit and Operational Boundary for External Debt

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

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

There were no breaches to the Authorised Limit and the Operational Boundary during 2017/18.

	Operational Boundary (Approved) 31/03/2018 £m	Authorised Limit (Approved) 31/03/2018 £m	**Actual External Debt 31/03/2018 £m**
Borrowing	424.0	434.0	266.8
Other Long-term Liabilities	58.0	63.0	45.3
Total	**482.0**	**497.0**	**312.1**

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

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

Interest Rate Exposure	**Fixed Rate of Interest**	**Variable Rate of Interest**	**Total**
Borrowings	£266.8m	£0m	**£266.8m**
Proportion of Borrowings	100%	0%	**100%**
Upper Limit	100%	100%	
Investments	£21.7m	£28.6m	**£50.3m**
Proportion of Investments	43%	57%	**100%**
Upper Limit	100%	100%	
Net Borrowing	£245.1m	-£28.6m	**£216.5m**
Proportion of Total Net Borrowing	113%	-13%	**100%**

(d) Maturity Structure of Fixed Rate Borrowing

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

Maturity Structure of Fixed Rate Borrowing	**Lower Limit**	**Upper Limit %**	**Actual Fixed Rate Borrowing at 31/03/18 £m**	**Actual Fixed Rate Borrowing at 31/03/18 %**
Under 12 months	0	80	95.3	35.7
12 months and within 24 months	0	50	2.7	1.0
24 months and within 5 years	0	50	21.3	8.0
5 years and within 10 years	0	50	18.4	6.9
10 years and over	0	100	129.1	48.4
Total			266.8	100.0

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

This indicator allows the Council to manage the risk inherent in investments longer than 364 days and for 2017/18 the limit was set at £60 million.

As at 31 March 2018 the Council had £1.3 million that potentially could be invested for longer than 364 days.

(f) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and in particular, to consider the impact on Council Tax. The updated projections for 2018/19 and 2019/20 are included as a separate agenda item to this committee.

Expenditure	**31/03/18 Actual £m**	31/03/19 Estimate £m	31/03/20 Estimate £m
General Fund	**46.8**	**84.7**	**40.8**

Capital expenditure has or will be funded as follows:

Capital Financing	**31/03/18 Actual £m**	31/03/19 Estimate £m	31/03/20 Estimate £m
Capital receipts	**10.4**	11.8	0
Grants and Contributions	**17.8**	24.1	19.3
Revenue and Reserves	**0.2**	0	0
Unsupported borrowing	**18.4**	48.8	21.5
Total Funding	**46.8**	**84.7**	**40.8**

(g) Ratio of financing costs to net revenue stream

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

Ratio of Finance Costs to Net Revenue Stream	**2017/18 Actual %**	**2018/19 Estimate %**	**2019/20 Estimate %**
Ratio	6.64	7.22	7.62

(h) Incremental Impact of Capital Investment Decisions

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

Incremental Impact of Capital Investment Decisions	**2017/18 Actual £**	**2018/19 Estimate £**	**2019/20 Estimate £**
Increase in Band D Council Tax	0.00	10.95	20.53

(i) Adoption of the CIPFA Treasury Management Code

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

The Council has previously approved the adoption of the CIPFA Treasury Management Code 2011 Edition. It is recommended that the Council formally approves adoption of the revised 2017 Code.

APPENDIX 2

GLOSSARY OF TERMS

Capital Financing Requirement (CFR): this is the amount of debt that has been accumulated to finance the Capital programme.

Cost of Carry: this is the cost or expense of maintaining a particular Treasury strategy. For Example, the Authority could take out a loan to fund its Capital programme at an interest rate of 3%, however until the cash is physically spent it is invested until needed. If the investment interest rate is only 1% then effectively the Council is paying a finance cost of 2% whilst the money is waiting to be spent. This expense is known as the 'Cost of Carry'.

Equal Instalments of Principal (EIP): a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment

Liquidity: this is the ability to have access to cash as and when it is required.

Long Term Debt: debt which is incurred for a longer period of time i.e. longer than 12 months between the start and end date of the loan.

Money Market Fund (MMF): these are funds that invest in a variety of short term investments. When the Authority deposits money into these funds it theoretically invests in a wide range of different investment products, therefore further diversifying the investment portfolio. MMFs are used as an alternative to Instant Access accounts with banks/building societies to manage liquidity.

Managed Fund: these are investment funds that are managed externally by professional fund managers, rather than internally by the Treasury Management team.

Minimum Revenue Provision (MRP): this is the amount that the Authority sets aside each year to repay its debt associated with funding the Capital programme.

Prudence: the cautious and mindful management of resources

Short Term Debt: debt which is incurred only for a short period of time i.e. less than 12 months between the start and end date of the loan.

Term Deposit: a type of investment where the cash is invested for a set period of time that (as agreed between the two parties). The investment principal is only repaid at the end of this fixed term period.

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WIRRAL

 **COUNCILLOR CHRIS JONES**	**CABINET** **Monday, 16 July 2018** **PUBLIC HEALTH ANNUAL REPORT 2018, WIRRAL**

Councillor Christine Jones, **Cabinet Member - Adult Care & Health, said:**

"Gambling is a growing problem in this country, with people particularly living in more economically deprived areas feeling this more than most. It is vital for the long term wellbeing of all of our residents that we tackle it, and do all we can to support people to not damage their lives and the lives of their loved ones through problem gambling.

This year's Public Health Annual Report shines a light on problem gambling, it investigates how it has developed and it proposes a series of actions to take which will allow us to help people. It is incredibly important work, and something we should all get behind."

REPORT SUMMARY

This report provides Cabinet with the annual report of the Director of Public Health. The annual report is the professional statement of the Director about the health of the local population.

The purpose of the Public Health Annual Report is to draw attention to local issues of importance which have an impact on population health. Since the Council took back responsibility for Public Health in 2013 we have published five reports on the topics of social isolation, healthy schools and children, domestic violence and the roles of the Council and the NHS in promoting health and wellbeing. These reports have led to action in the reduction of the number of people smoking in the borough, to levels below the national average; increased support for people who were feeling socially isolated plus significant activity across a range of partners to highlight and reduce the damage caused to our communities from alcohol abuse e.g. Drink Less Enjoy More Campaign.

The 2018 annual report reflects on the public's concern about the impact of gambling on local people. It supports the delivery of the Wirral 2020 Plan and the Pledge 'Wirral Residents Live Healthier Lives'.

The annual report aims to describe what harmful gambling is and to illustrate the impact it has on local residents, their families and friends.

This matter affects all Wards within the Borough; it is not a key decision

RECOMMENDATION/S

The report details a number of recommendations that have been developed in conjunction with local partners and key Council departments e.g. licensing and planning. The recommendations cover action on the following themes:

- Raising the profile of harmful gambling via a communications campaign to highlight the impact of harmful gambling; working with schools and promoting the help and support available to people who are struggling with their gambling habits
- Supporting people at risk of harmful gambling by raising the awareness of frontline staff of the support that is available
- Understanding and measuring harmful gambling in the borough to inform future licensing decisions
- Work with other Councils to identify action to reduce the risks that consumers, especially those that are vulnerable, face from gambling e.g. enhanced consumer protection for online gambling

Cabinet is requested to support the recommendations outlined in the report.

In addition, it is recommended that:

- A working group is established with the Gambling Commission to see how the Council can make best use of its existing powers to minimise harm from gambling.

- That the Environment Scrutiny Committee be invited to consider reviewing the impact of gambling in our communities.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The 2018 Public Health Annual Report focuses on the public's concern about the impact of gambling in our population. The report calls for action to minimise the harm that results from addiction to gambling and particularly the impact on people who are already in financial difficulty. It supports the Wirral Plan 2020 pledge: Wirral Residents Live Healthier Lives.

1.2 The production of an annual report is a statutory requirement of the Director of Public Health. It is an important vehicle to identify key issues, flag up problems, report progress and inform local inter-agency action. The council has a duty to publish the report.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Gambling has been a part of society for thousands of years. For the majority of people it is a harmless and sociable activity, commonly practiced and accepted as part of everyday life. However, this leads us to normalise gambling behaviours to an extent that we don't recognise when it has become a problem.

3.2 Harmful gambling can lead to a wide variety of health and social issues, including debt, job loss, homelessness, drug and alcohol addiction and domestic abuse. Due to this complex mix of personal and social issues, harmful gambling cannot be addressed in isolation; action is needed across a variety of organisations and services.

3.3 With the increasing media interest in harmful gambling, and the recent announcement by the government on the introduction of a maximum stake for fixed odds betting terminals down from £100.00 to £2.00 this Public Health Annual Report is timely. But whilst this policy change with regard to fixed odds betting terminals is to be welcomed, there is still much to do to understand the radical shift to online gambling.

3.4 We need to do more to prevent harmful gambling from happening and also to provide support to those who already have a problem. This offer should also be extended to the friends and families of those affected.

3.5 We look forward to reflecting on this report in years to come and to see what changes have been achieved locally, how we have influenced wider conversations on this topic. We hope that this report helps to further our local understanding of the issue and reinforce the growing narrative that harmful gambling is a wide spread threat to the health and wellbeing of local people.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising from this report.

5.0 LEGAL

5.1 There are no legal implications arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The communication of the annual report will be co-ordinated by existing staff.

7.0 RELEVANT RISKS

7.1 There are no financial implications arising from this report.

8.0 ENGAGEMENT / CONSULTATION

8.1 Conversations with people who or who have gambled and their families took place to inform the report.

8.2 There is a communication plan to share the report across a wide range of stakeholders to increase awareness and encourage people to take action. This includes, for example, Wirral Clinical Commissioning Group and local GPs, Wirral University Teaching Hospital NHS Foundation Trust, Wirral Community NHS Foundation Trust, Cheshire & Wirral Partnership NHS Foundation Trust, Wirral Council and residents and third sector services.

9.0 EQUALITY IMPLICATIONS

9.1 An equality impact assessment has been undertaken on the report.

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APPENDICES

Appendix 1 – Harmful Gambling - The Other Side of the Coin
2018 Annual Report of the Director of Public Health

REFERENCE MATERIAL

The Wirral Plan: A 2020 Vision, Wirral Residents Live Healthier Lives

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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Harmful Gambling The Other Side of the Coin

2018 Annual Report of the Director of Public Health

WIRRAL

Foreword

I am pleased to present this year's public health annual report which reflects public concern about the impact of gambling in our population. The report calls for action to minimise the harm that results from addiction and particularly has an impact on people who are already in financial difficulty. The work has been led by Julie Webster, Acting Director for Health and Wellbeing in the borough, and she sets out below why we need to collectively act to reduce harm.

Fiona Johnstone
Statutory Director of Public Health, Wirral

Introduction

Gambling has been a part of society for thousands of years. For the majority of people it is a harmless and sociable activity, commonly practiced and accepted as part of everyday life. However this leads us to normalise gambling behaviours to an extent that we don't recognise when it has become a problem.

Harmful gambling can lead to a wide variety of health and social issues including indebtedness, poor mental health, domestic violence, criminal activity, job loss, homelessness and drug and alcohol abuse. Due to this complex mix of personal and societal issues, harmful gambling cannot be tackled in isolation; action is needed across a variety of organisations and services.

There has been increasing interest in the national media with regard to harmful gambling, making this Public Health Annual Report very timely. My report aims to describe what harmful gambling is and illustrate the impact it has on local residents. I hope it helps in both furthering our local understanding of the issue and reinforcing the growing narrative that harmful gambling is a wide spread threat to public health. As with most issues which are public health concerns, harmful gambling affects the poorest members of our community the most as I explore in my report with regard to the clustering of fixed odds betting terminal locations.

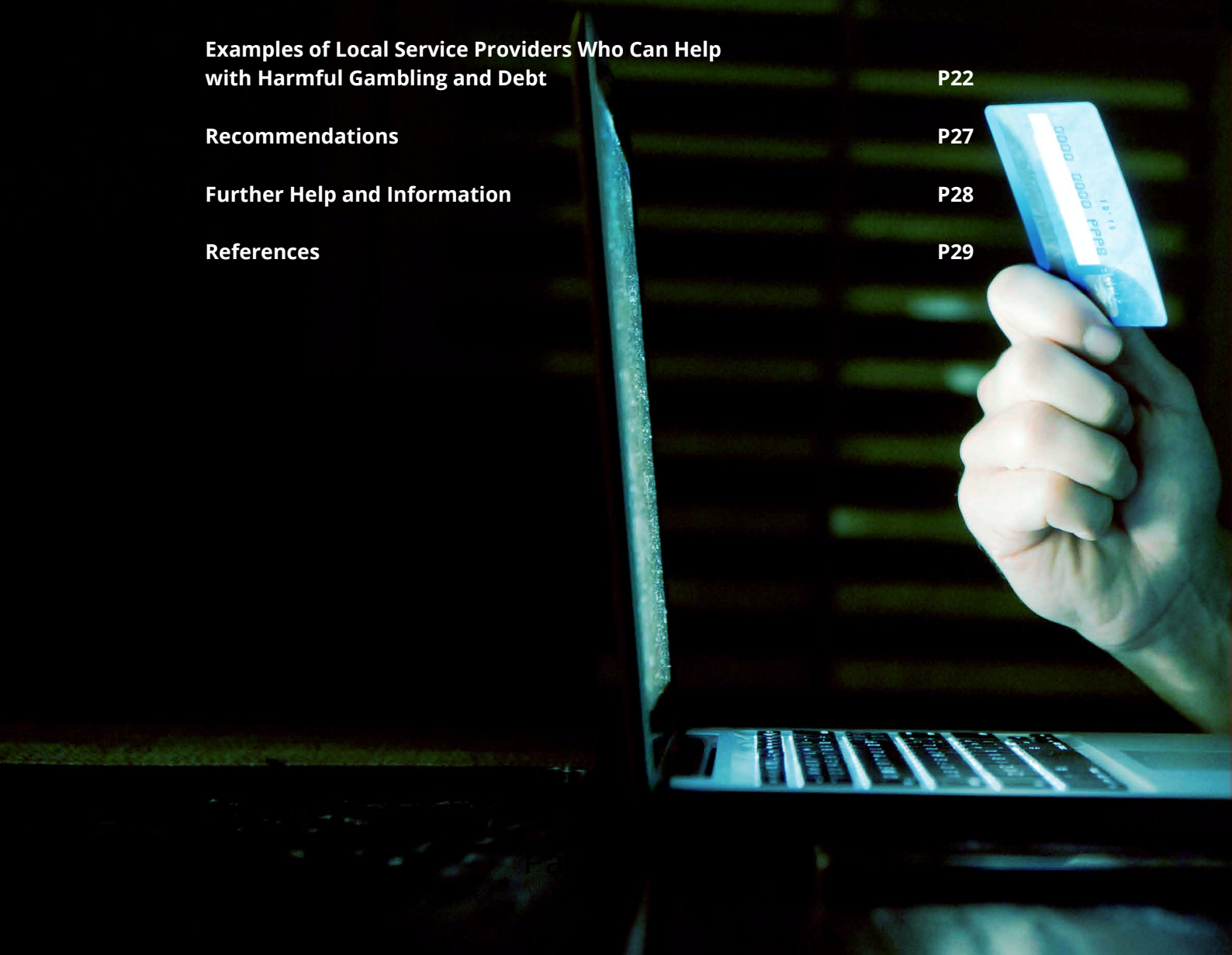
We need to do more to prevent harmful gambling from happening and also to provide support to those who already have a problem. This offer should also be extended to the friends and families of those affected. I look forward to reflecting on this report in years to come and see what changes we have achieved locally and how we have influenced wider conversations on this topic.

As we went to press, the Government announced the introduction of a maximum stake of £2.00 for fixed odds betting terminals down from £100.00 – this is great news. However, as we outline in this report the impact of gambling on residents, their families and friends is significant. Whilst the policy change with regard to fixed odds betting terminals has grabbed our attention, there is still much to do to understand the radical shift to online gambling.

Julie Webster
Acting Director for Health and Wellbeing, Wirral Council

"...Harmful gambling can lead to a wide variety of **health and social issues**"

Contents



What is Harmful Gambling?

Gambling in the UK is regulated by the Gambling Commission on behalf of the Department for Digital, Culture, Media and Sport under the 2005 Gambling Act. However, unlike other public health concerns such as alcohol consumption, there are no specific policy targets relating to harm minimisation from gambling. The 2005 Gambling Act has three main licensing objectives:

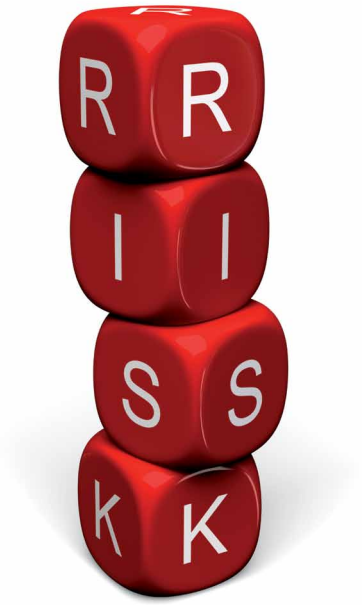
- Prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
- Ensure that gambling is conducted in a fair and open way
- Protect children and other vulnerable persons from being harmed or exploited by gambling

Gambling is a legal activity for anyone over the age of 18 in the UK. It can be an enjoyable and sociable activity when practiced in moderation and continues to be very popular in the UK, mostly with people taking part in lotteries, playing bingo, placing bets online or at a bookmakers or playing on gaming machines. Recent estimates suggest that almost one in every two people have participated in some form of gambling in the past month and that this is an increasing trend (The Gambling Commission, 2018).

For some people gambling can become addictive and they are unable to stop, giving rise to harmful gambling. This is becoming an increasingly important public health concern. Harmful gambling has been defined as "gambling to a degree that compromises, disrupts or damages family, personal or recreational pursuits" (Lesieur & Rosenthal, 1991).

The most recent national estimates are that approximately 1 in every 100 people are harmful gamblers, while 4 in every 100 people are at risk of becoming a harmful gambler if they continue their gambling activities.

"Recent estimates suggest that almost **one in every two people** have participated in some form of gambling in the past month and that this is an increasing trend"

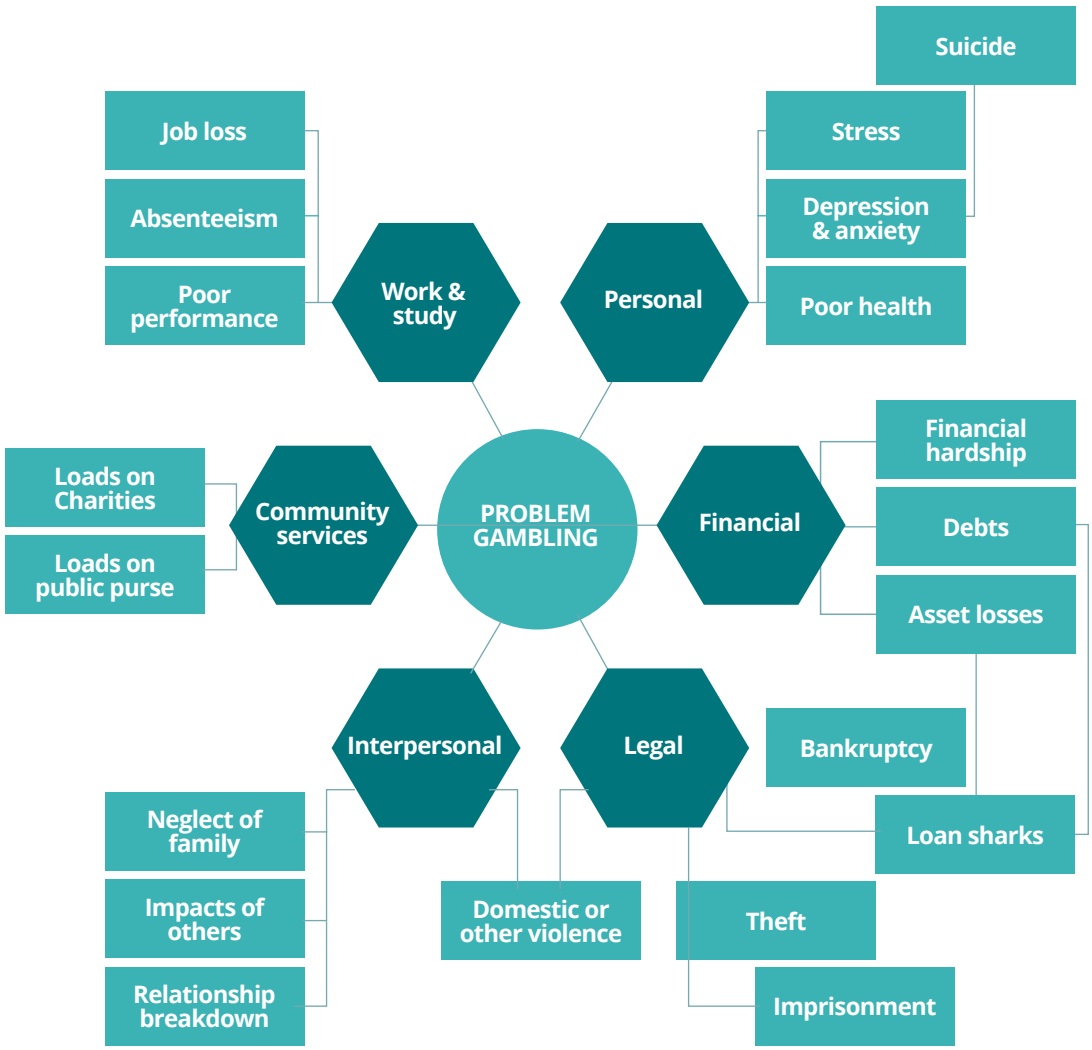


"...Gambling-related harm **affects far more people** than just the harmful gambler"

Harmful Gambling is a Public Health Concern

At the beginning of 2018, the Chief Medical Officer for Wales formally acknowledged harmful gambling as a growing public health issue (The Welsh Government, 2018). A recent position paper by the Responsible Gambling Strategy Board highlighted that harmful gambling should be considered as a public health priority similar to obesity and drug and alcohol addiction (The Responsible Gambling Strategy Board, 2016). Much like these issues, harmful gambling can have an impact on multiple aspects of health and across multiple levels of society, affecting the individual and their friends, families and communities (Figure 1).

Figure 1: The impacts of harmful gambling on those who are gambling and their wider social networks and society Source: Thorley et al, 2016

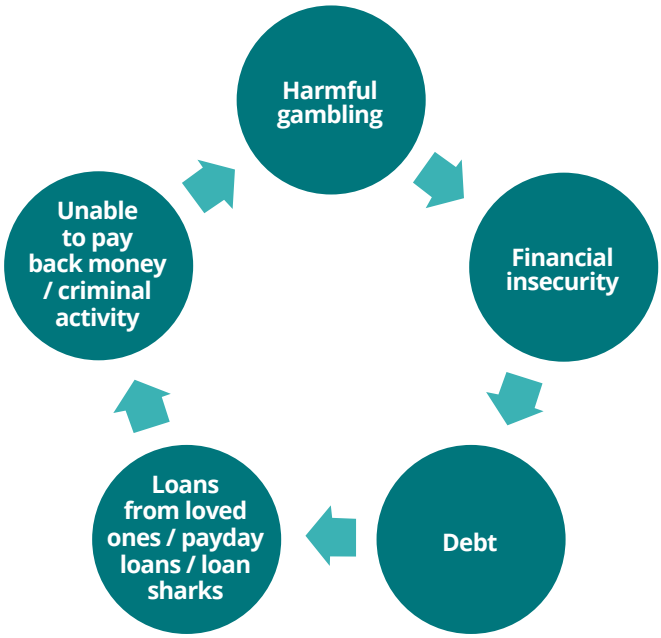


Gambling-related harm affects far more people than just the harmful gambler. National estimates from the Citizens Advice Bureau suggest that for every harmful gambler, between 6 and 10 additional people (such as friends, family or co-workers) are directly affected. This means that between 2.5 to 4.3 million people in Great Britain may be affected by gambling-related harm (Nash et al, 2018). This research also suggests that:

- In families with children where one or more parent had issues with gambling, over a third couldn't afford essential costs such as food, rent and household bills
- Two-thirds of gamblers have mental distress as an impact of their gambling
- More than a third of households where one or more parent who had issues with gambling experienced family breakdown

When someone is addicted to gambling, it can be an endless and unsustainable cycle to maintain the habit (Figure 2).

Figure 2: Common cycle of harmful gambling



Those affected will turn to loved ones for financial help, placing strain on their relationship and financial security before seeking alternative sources of money which can often end in criminal activity. A recent report by the Institute for Public Policy Research states that harmful gamblers are over 4 times more likely to be in prison than the average member of the population, costing between £40m to £190m per year to rehabilitate (Thorley et al, 2016).

Society normalises gambling behaviours via aggressive advertising which is not regulated in the same way advertising on tobacco and alcohol products are. Gambling companies use celebrities as ambassadors and sponsor sporting teams, events and stadiums. Alcohol branding was one of the most prominent sponsorships on player's shirts and stadiums in the football premier league (Bunn et al, 2018). The past ten years however has seen gambling sponsorship replacing alcohol sponsorship.

This provides a passive and unconscious bias that society accepts gambling behaviour as both desirable and a part of everyday life. This in turn means when someone has a problem with gambling, they can struggle to accept they have an issue with it, as well as struggle to have their addiction taken seriously by friends and family, unlike addiction to drugs and/or alcohol. Due to this lack of understanding, harmful gamblers may feel shame as a result and try to hide their addiction. Looking forward, the normalisation of gambling behaviours has already affected our youngest generations and we predict will influence an increase in harmful gambling in the future.

Young People and Future Trends

Gambling habits can start in early life as shown in a recent survey by the Gambling Commission who found 12% of 11-15 year olds had spent their own money on a gambling activity in the previous week, making gambling arguably a more common risky behaviour than smoking or drinking (The Gambling Commission, 2017a). Since it is illegal for children to gamble, online gambling on games and apps has fewer restrictions, giving children a route to become involved in gambling at an early age.

This trend coincides with an increase in gambling on smartphones while on the go, as well as playing games with gambling elements (The Gambling Commission, 2017). Young people are also being primed to gamble passively via the advertising industry, with gambling adverts appearing on the television at all times of the day, reaching younger audiences than appropriate (BBC News, 2018).

Legislative Barriers

The gambling industry is complex and organised via a range of umbrella organisations such as the Association of British Bookmakers. These umbrella organisations collaborate together to represent the shared interests of both their staff and shareholders.

All councils under the 2005 Gambling Act have to prepare a statement of the principles they propose to apply in exercising their functions under this Act every three years. The Gambling Commission issues statutory guidance to councils to aid with this. While councils have the right to ask for changes to their local area to improve local sustainability via this process, all attempts have failed so far, indicating that the 2005 Gambling Act provides limited flexibility for councils.

Public Health teams in the Liverpool City Region have called for change at a national level following a Liverpool Public Health Observatory Report on fixed odds betting terminals (Lewis et al, 2014). Recommendations from this report included making the information relating to the effects of harmful gambling visible to those gambling as well as making the act of self-exclusion (the voluntary act of banning oneself from a betting location) work more efficiently (i.e. working together so someone who self-excluded themselves from one betting shop could not use another betting shop in the meantime).

What is the Picture of Harmful Gambling in Wirral?

The most commonly used source of information to highlight the issue of harmful gambling is the use of fixed odds betting terminals classified as 'B2 machines'. They were unregulated until the 2005 Gambling Act when it was decided that betting shops were not allowed more than four of these machines per shop (Association of British Bookmakers, 2013). Fixed odds betting terminals have a maximum bet value of £100.00, therefore it is very easy to lose a large amount of money very quickly. In May 2018 the Government announced that they were to introduce a maximum stake of £2.00 for FOBTs, down from the current £100.00 stake. The data presented in this section of the report relates to the position prior to this policy change and illustrates why Governmental action was necessary to regulate their use.

Industry statistics recently collated by the Gambling Commission found that there were a total of 33,420 fixed odds betting terminal machines in the UK, each returning an average profit of £53,887 per machine. This means that the amount of profit made by fixed odds betting terminal machines (minus paying out any winnings) was £1.8bn in 2016/17. This is from a total of £13.8bn that was spent on all forms of legal gambling in the UK in 2016/17 (The Gambling Commission, 2017).

Table 1 details the total number of fixed odds betting terminal machines installed in betting shops in the UK over the last 5 years, how much profit (on average) each machine made and how much profit was made in total per year. This is presented with Wirral data to show the local trend. Wirral now has 239 fixed odds betting terminal machines; we estimate that in 2016/17, operators of fixed odds betting terminals in Wirral received almost £13m in profits from these machines.

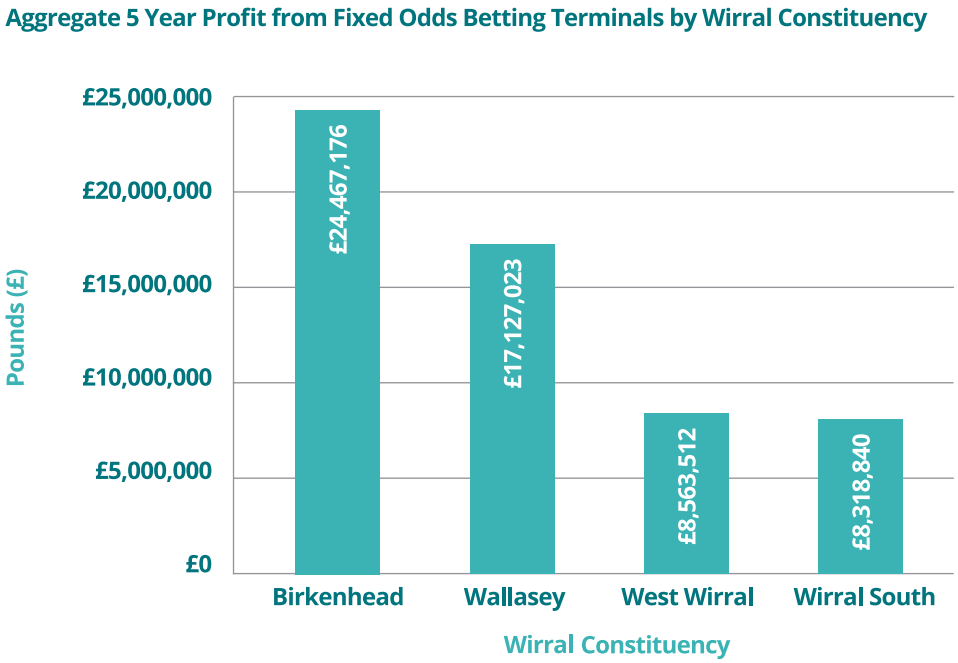
Table 1: Trend from 2012/13 to 2016/17 in number of fixed odds betting terminal machines, average and national profits from these and the total estimated profit made by these machines in Wirral:

Measure	2012/13	2013/14	2014/15	2015/16	2016/17	Total 5 Years
Average number of fixed odds betting terminals in the UK	**33,356**	**34,374**	**34,780**	**34,458**	**33,420**	**170,388**
Average profit per fixed odds betting terminal in the UK	**£46,232**	**£45,608**	**£48,354**	**£50,591**	**£53,887**	**£244,672**
National profit from fixed odds betting terminals in £billions	**£1.5bn**	**£1.6bn**	**£1.7bn**	**£1.7bn**	**£1.8bn**	**£8.3bn**
Estimated profit generated in Wirral from fixed odds betting terminals in £millions	**£11.0m**	**£10.9m**	**£11.6m**	**£12.1m**	**£12.9m**	**£58.5m**

Over the course of five years (holding the 239 fixed odds betting terminal machines as a constant, although the total number may have been less in previous years), we calculated that the profit on fixed odds betting machines locally was £58.5m. The use of fixed odds betting terminals is not uniform across the borough.

During the course of an audit carried out by the Public Health team, it was determined that the East of the borough has a much greater density of betting premises than the West. There are 100 fixed odds betting terminals in Birkenhead, 70 in Wallasey, 35 in West Wirral and 34 in Wirral South (Figure 3).

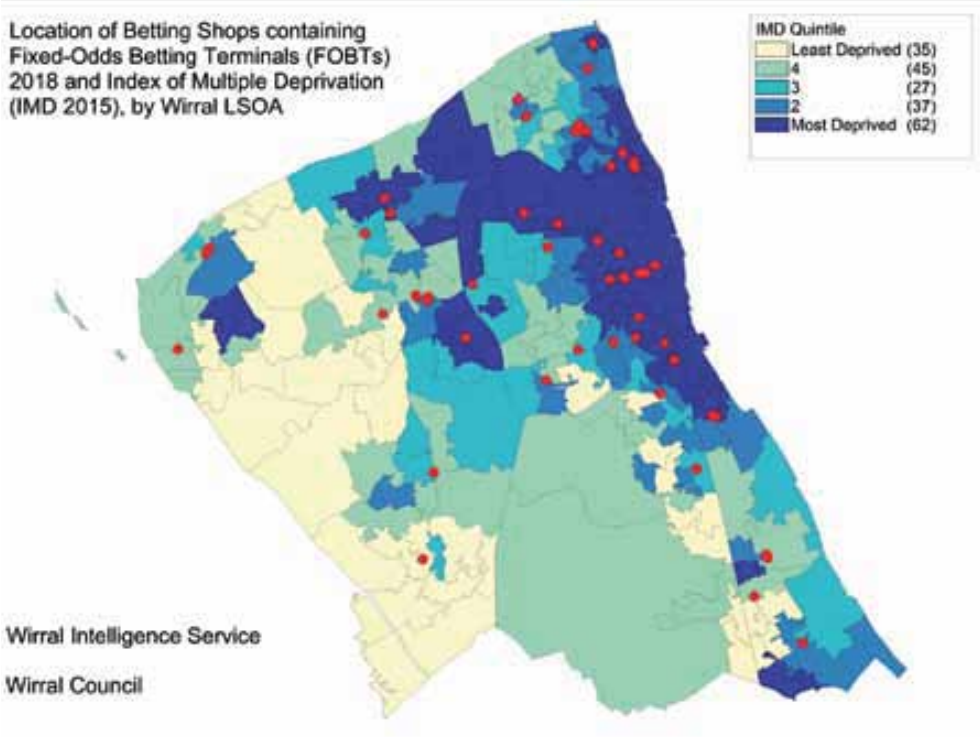
Figure 3: Total estimated profit made by fixed odd betting terminals for the last five years by Wirral Constituency



As can be seen from Figure 4, betting premises appear to cluster in the most challenged areas of Wirral. Each betting shop is permitted to have up to 4 machines, and our audit found that all but 3 shops in Wirral had the maximum of 4 machines. Birkenhead has the largest number of fixed odds betting terminals in Wirral, followed by Wallasey. Birkenhead and Wallasey contain some of the most socio-economically deprived areas in England, yet we estimate fixed odds betting terminals make 3 times as much profit in Birkenhead than they do in the more affluent Wirral South (£24m over 5 years in Birkenhead versus £8m in Wirral South) based on national data.

A report by The Responsible Gambling Trust in 2016 showed that the risk of harmful gambling was significantly higher in areas where betting shops clustered in high densities (Wardle et al, 2017). With this in mind, harmful gambling is disproportionately contributing to making the poorest parts of Wirral even poorer.

Figure 4: Map showing betting shop location in Wirral by deprivation level



This can be problematic in times of austerity; people may see fixed odds betting terminals as a form of a quick fix to get money easily. When money is then lost it can cause additional strain on finances and then the cycle continues to try and win more money to cover previous losses, helping to widen the gap between the most and least deprived areas of Wirral. Table 3 shows how this issue has become more significant in the past 5 years in Wirral.

Table 3: Trend from 2012/13 to 2016/17 in fixed odds betting terminal profits by Wirral Constituency

Year	2012/13	2013/14	2014/15	2015/16	2016/17
Average profit per machine	£46,232	£45,608	£48,354	£50,591	£53,887
Birkenhead constituency	£4,623,192	£4,560,790	£4,835,400	£5,059,134	£5,388,659
Wallasey constituency	£3,236,234	£3,192,553	£3,384,780	£3,541,394	£3,772,061
West Wirral constituency	£1,618,117	£1,596,277	£1,692,390	£1,770,697	£1,886,031
Wirral South constituency	£1,571,885	£1,550,669	£1,644,036	£1,720,106	£1,832,144
Wirral	**£11,049,429**	**£10,900,289**	**£11,556,607**	**£12,091,331**	**£12,878,894**

Profits from fixed odds betting terminals show a broadly upward trajectory for all Constituencies and Wirral overall between 2012 and 2017, increasing from £1m in 2012/13 to £12.8m in 2016/17. If these figures are divided out by the Wirral population (aged 18+), these figures mean that £50 per person was lost on fixed odds betting terminals in Wirral in 2016/17. Adjusting for the differential number of fixed odds betting terminals in each Constituency, £78 was lost per person in Birkenhead, compared to £31 per person in Wirral South.

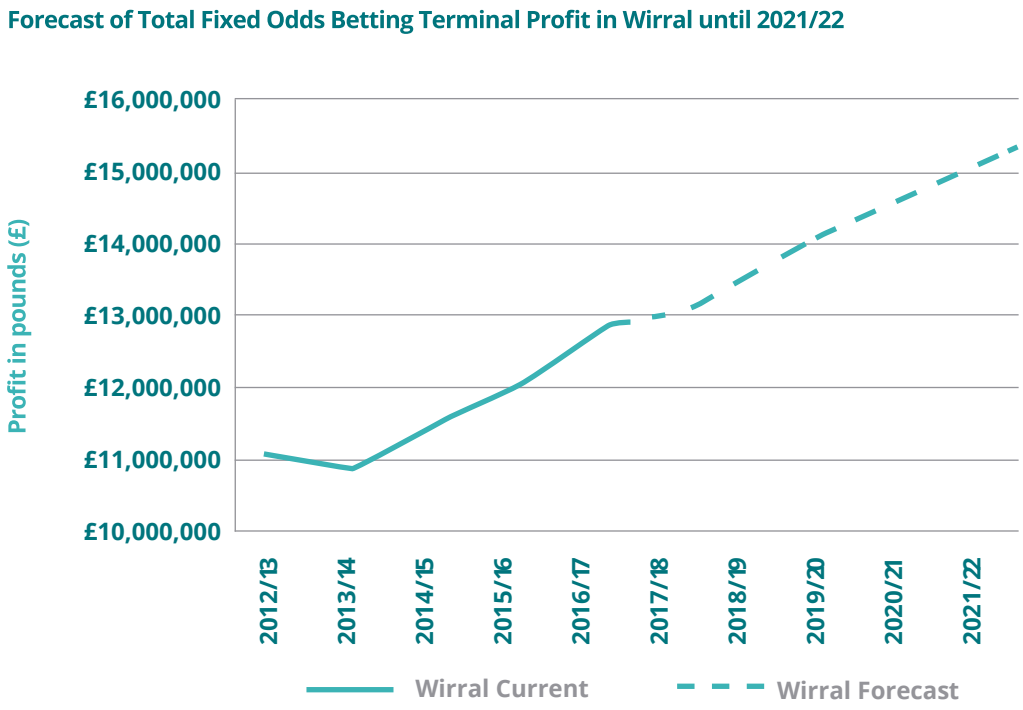
Projections for Wirral

We used these figures to project future total profit based on the current legislation. Figure 5 shows how much profit could have been generated by fixed odds betting terminals in Wirral to 2021/22 if current trends had continued.

As this shows, if current trends had continued, the profit made by fixed odds betting terminals in Wirral could have increased from the current figure of £12.8m per year, to £15.4m per year by 2021/22. This would have been an extraordinary amount of money leaving the local economy from just one form of gambling (almost all local betting shops are national chains, so the profit they generate is unlikely to benefit Wirral, except by creating a small number of low paid jobs in each shop).

However, this is only the tip of the iceberg. Online gambling is the largest gambling sector in the UK, accounting for 34% of all gambling activity and is rapidly growing, with the Gambling Commission predicting it will account for almost half of all gambling in the UK in the near future (The Gambling Commission, 2017). More information is needed at a local level regarding the use of online gambling to explore and further understand how this issue is affecting Wirral.

Figure 5: Projected profit from fixed odds betting terminals in Wirral to 2021/22



Local Stories*

To illustrate how some of the issues outlined in this report have affected people locally, we spoke to some local residents to discuss their experiences of harmful gambling first-hand and through the actions of loved ones.

Since online gambling from home has increased in prevalence it has become increasingly easier to do and more accessible. Jill's story sheds some light on how online gambling has had an impact on her now adult son.

JILL'S STORY: My son isn't allowed to live with me at home any more because of his online gambling with poker. He got into a lot of debt over it which I have had to help with. Our house has been destroyed where he has thrown things when he has lost money online.

He was never really physically aggressive before. He smashed that many iphones, like 7 in 3 months, top of the range phones. Ipads top of the range, brand new, £700-800 - smashed. He just really overreacts to a big loss. He will deliberately sit up all night and go on then because other people online will have had a drink and he sees it as easy money.

He stays up all night and then goes to bed during the day. It was horrible having that going on in your house, hearing him all night chatting and moving around and then be asleep all day. You would hear him at 3 in the morning; living in that weird way made him very snappy and tired all the time.

* Pseudonyms used to protect individual's identities

Online gambling can come with its own problems when the person gambling doesn't appreciate the severity of the issue until they are already in debt from losing too much money, as Brittany describes:

BRITTANY'S STORY: I set up an online account and used to do a couple of quid every now and again and then it just progressively got worse. I would bet on virtual horses and then on to the online slot machines. When I'm gambling online no one is watching me and I'm on my own.

I'm not thinking rationally when I'm drinking and it's so easy online because I can't think of it as me spending lots of money. It's just digital money. It's just so easy. It becomes a part of your everyday life. I'm probably more likely to spend more money when I'm on my own like I am when online. I once had £1900 in my account once and poofed it all away online in half an hour.

Gambling is the only reason I have so much debt. Sometimes I self-exclude from sites they give you all these bonus offers and you can't actually get your money out of it, they'll give you a £10 free spin or £10 free bet – whatever you win off that you have to then bet 300 times that amount to get your money out so it annoys me when they do stuff like that. You have to really look for that information as well, like really small print information about that.

With home becoming a place where gambling can be more easily done in privacy, it can mean children and vulnerable adults are exposed to gambling when they are not competent to make decisions (and miss the small print) which can have impacts on both them and their families. Janet describes how her son who is a vulnerable adult has been caught up in problematic gambling:

JANET'S STORY: My son is a vulnerable adult with autism, ADHD and dyslexia. He only recently started getting heavily involved with gambling. He is so simplistic, he doesn't realise the full impact of his gambling on us.

He wouldn't realise it's having a major impact on our finances. I have seen emails where he has signed up to online sites where they give you a free £20 to play and that is another big worry now. I have to fill in forms for him and run his emails because his intelligence wouldn't take him far enough to do that.

And lately he has these emails popping up about a loan with a payday lender. He doesn't actually work so that will fall to me to pay that. He is crying about the loans now. He hasn't got a full understanding of it all. When he gets letters off debt companies he is coming and asking me "am I in debt?" and he just hasn't and can't fully comprehend.

I was tempted to contact the payday loan people and ask do they realise they've given this to somebody who isn't fully competent, but I felt as if I was being disloyal then. Gambling for kids, it's dangling a carrot to them but there's nothing for them at the end of it. There is nothing for them to do locally and they spend their time in betting shops.

While we know more about fixed odds betting terminal use locally, that is not to say their use doesn't remain as hidden sometimes as online gambling. As previously described, harmful gambling can be an "invisible illness", with those affected hiding their issues from their loved ones and failing to seek help before they find themselves in a downward spiral of debt and addiction. Chris' story highlights how keeping harmful gambling a secret can make things worse:

CHRIS' STORY: My stepson had to leave our home 10 years ago because he was stealing from us and using money for a hidden gambling habit going to betting shops. There were associated problems, several attempted suicides, cries for help because he would get very depressed and guilty about his stealing.

So I ended up on several occasions in the hospital with him because of tablets he had taken and sometimes because he was cutting his arms, wrists and so on. He would recover, his confidence would grow back again over a few weeks or months and then the cycle would start again. We didn't know it was about gambling at the time. He didn't reveal that.

He would ask to borrow money from us on the pretence there was some sort of problem, he has lost money, or someone had stolen money from him. I didn't really discover the extent he had immersed himself in harmful gambling until his problem had grown so severe that he had sold all his possessions. He was walking the streets with a carrier bag of clothes and some photographs. He literally had nothing else.

Refusing to accept harmful gambling as an issue and avoiding seeking help can mean the individual lashes out. Coming to terms with losses while gambling, (sometimes with other people's money) can come at a price, with domestic violence becoming a destructive coping mechanism in those who are harmful gamblers, as shown in Rebecca's story:

REBECCA'S STORY: It was my ex-husband. Prior to marrying him I had never been introduced to gambling. I didn't know anything about it. He didn't just gamble with money he gambled with everything. It was relationships, our marriage. He would lose and then he would come home and would want more money.

It extended to abuse, violence to get that money. Even if it was just £1. You would know when he won because he would come home with a box of chocolates. You knew if he lost simply by his demeanour. He lunged at me with a knife once and tried to knife me. I ducked to the side, got out of the flat, ran down the stairs. I just thought no. I have to go. Which I did do. I left him and took our son with me.

However there is hope and people can be helped out of the downward spiral of harmful gambling. Barry is a recovering harmful gambler. His story illustrates how harmful gambling can be linked to alcohol and drug addiction, family breakdown and homelessness. He has since started volunteering in the local community after seeking help locally:

BARRY'S STORY: I started gambling from the age of thirteen. You would go there and you would wait outside the bookies and get an old fella to put the bets on for you. You sort of felt part of something. All these old fellas putting bets on for you and if you won you would give them some of your money. You were accepted.

As I got older I lost jobs through gambling. I used to get paid on the Thursday and go to the bookies and lose it the same day and then I would make lies up to my parents about why I didn't have the money anymore. It's weird. It just snowballed really into something I couldn't control anymore. This went on for years. My dad passed away two years ago and I had his gold chain. At the time I pawned that to go and put on some bets. It was unreal really. It leaves me in a dark place. It left me sitting in Birkenhead Park contemplating whether I should go and use drugs. It left me that low. But nothing matters when you are in that mind-set to gamble. You need to get what you want and you will do anything you can to get more money. The gambling went hand in hand with whatever else I was doing. A concoction of all sorts, drugs and alcohol. Drugs and alcohol changed the way I felt about who I was. But so did gambling. By going to the bookies no one else is in there with you, you don't have to listen to anyone. It's just me and I feel like king of Birkenhead sort of. It doesn't matter if it's £1 or £1000, it's the feeling in your gut. It's just like using drugs. Once I start gambling, I can't stop until everything is gone. Then I'll go and lie and cheat and manipulate to get more money to keep going.

Gambling left me homeless. 19 months ago I was walking around Birkenhead begging, tapping people on the shoulder, picking stuff up off the street. My little boy was taken 2 years ago and I just wanted to die. So it was either carry on and die or stand up and be counted and try to get him back. I'm in the process of doing that now. I have only just recently started voluntary work a few weeks ago to give something back. They got me into a detox 19 months ago and it feels so good to be able to do what I am doing now. I got over my gambling addiction through narcotics anonymous. They have a 12 step programme. I started working on my gambling there and I haven't had a bet in 5 years. It is good. It's an addiction. I would justify the gambling more than crack and smack. Gambling in my mind wasn't going to kill me if I did it again, not like drugs. But believe me it leaves you with the same pain inside but it is seen as more socially acceptable.

Examples of Local Service Providers Who Can Help with Harmful Gambling and Debt

THE BEACON COUNSELLING TRUST

The Beacon Counselling Trust is a charity that works comprehensively in the area of mild to moderate mental health issues. We operate from a central hub in Liverpool but also have satellite sites across the North West.

The three main objectives of the charity are:

- To work with people from all backgrounds and ages to deal with their individual mental health problems
- To offer support through face to face counselling and therapeutic interventions
- To offer an individually tailored approach to dealing with individual mental health issues

We are the biggest provider of National Institute for Health and Clinical Excellence (NICE) approved therapeutic interventions from a non NHS organisation in the North West. We work in close collaboration with the NHS statutory organisations and a number of third sector organisations delivering one to one interventions, group and training programmes.

Our major programme currently is supporting individuals and families affected by problematic gambling. We use a recovery based model and do follow ups at 3 and 6 months. It is an open access service; we take referrals from the healthcare sector, from the police and also take direct referrals from the National Gambling helpline. We are the local service provider for harmful gambling, so we have an open door policy for people to get in touch with us directly also. This is an issue that affects everyone in society, men, women, rich, poor, at every level and every juncture - harmful gambling is present. It is across the life course of an individual and needs to be considered in the same way as drugs and alcohol as a threat to health.

Neil Platt
Clinical Director, Beacon Counselling Trust

CITIZENS ADVICE

Citizens Advice Wirral provides information and advice across Wirral on a range of issues. Some of our clients have current or previous gambling problems and the harm it causes is both varied and wide-reaching. Financial losses, debt, housing problems, relationship breakdown and decreased mental wellbeing are consistently reported by gamblers and their family, friends and co-workers.

A range of interlinked factors contribute to harmful gambling: ease of access to and lack of restrictions on gambling, isolation, escapism, boredom, thrill-seeking, behavioural traits, mental health problems and exposure at a young age were all mentioned as causes for harmful gambling. The prevalence of advertising make it harder for those with a problem to stop. Tools to manage gambling addiction don't work for everyone. For tools to work, gamblers need to acknowledge they have a problem, which can be difficult. Existing tools need to be improved to make them more effective.

Gambling support services are not always suitable or easily accessible: There aren't enough local services specifically for gambling addiction and levels of funding are insufficient to meet the need.

Carol Johnson-Eyre
Chief Executive Officer, Citizens Advice Wirral

GAMBLERS ANONYMOUS

Gamblers Anonymous is a fellowship of men and women, who share experience, strength, and hope to solve their problem, and help others to do the same. This is a simple programme for people with complex issues. The only requirement for membership is a desire to stop gambling and help others to do the same. Anyone is free to join, all are welcome.

We can help anyone with a problem with gambling, whether with large debts or none. All we ask is that the new member is 100% honest with his or herself, whether they continue to gamble or not. We have found in the last 10 years our new members have changed. It used to be middle aged men, aged 35-50 mainly gambling on horse and greyhound racing. Today the majority of our new members are aged 18-30, with a history of gambling online, on computer or mobile phone, or on the fixed odds betting terminals.

There are no fees for membership; we are self-supporting through our own contributions. We are not allied to any sect, denomination, political organisation, or institution. Our primary purpose is to stop our gambling, and help others do the same. We use a 12 steps approach to our recovery programme. The group meets once per week. Share how you feel at meetings, and contact other members between meetings.

Ian W
Public Relations Officer for Gamblers Anonymous

WIRRAL CREDIT UNION

Established in 1992, Wirral Credit Union has provided over £45m in loans to its members. The aim of Wirral Credit Union and indeed all Credit Unions is to help our members help themselves by planning ahead via saving. We provide savings facilities and access to low cost loans to any individual living and/or working in the geographical limits of CH post code area.

With regards to financial difficulties we are here as a Credit Union to offer a way to improve financial well-being after difficulties are resolved.

By offering savings accounts to help with any further problems, also the added bonus of low cost loans capped by the Government. Once someone becomes a member of Wirral Credit Union and saving regularly then these services are available.

Wirral Credit Union is here to help all manage their finances well. Any members of Wirral Credit Union that are struggling with debt are always referred to the local CAB with whom we work in partnership.

Clara Kendrick
Community & Outreach Manager, Wirral Credit Union

WIRRAL DEBT ADVICE

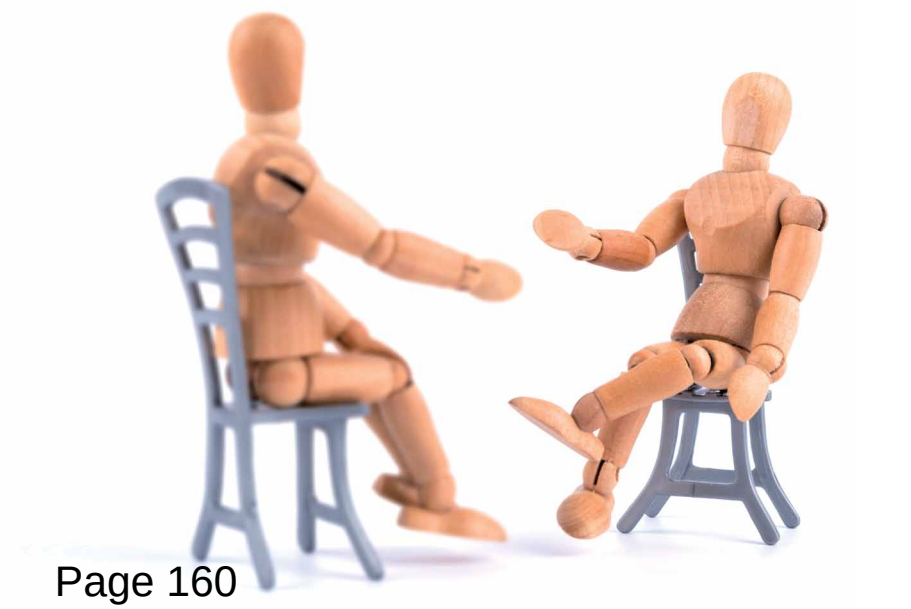
Harmful gambling can lead to unmanageable debts and payday loan use by both the person gambling and also their friends and families who are helping to cope with increasing debts. Wirral Debt Advice launched in April 2017. We were set up as a response by local Wirral churches at the height of the crisis with payday loan companies charging exorbitant rates. A payday loan added to already existing debts wreck lives.

We have 11 debt advisors who have all been formally trained in advising on debt management. After an initial appointment we will help anyone using our service to communicate with the organisations they owe money to, tailored to their needs.

We are part of the Diocese of Chester and work in partnership with Wirral Foodbank; advisors are present at the Foodbank sessions at Christ Church Moreton Fridays from 14:00-15:30 and St Chad's Leasowe from 11:00-14:00 on Tuesday mornings with two debt advisors working alongside the foodbank volunteers. The service is entirely free and confidential to any who need it.

Steve Burrows
Chair of Trustees, Wirral Debt Advice

"...Harmful gambling can lead to **unmanageable debts** and payday loan use by both the person gambling and also their friends and families"



Summary

Harmful gambling is a serious public health concern. Gambling has been normalised in our society and as a result has made it difficult for those with a problem to admit it and also made it difficult for loved ones to detect it. It is estimated to continue to increase in its severity in coming years unless action is taken.

We have illustrated this using data relating to fixed odds betting terminals and how substantial amounts of money are being taken out of our most challenged areas, where premises housing these machines purposely cluster.

It is important to reiterate that this is only the tip of the iceberg with online gambling contributing to the majority of gambling behaviour in the UK as illustrated in some of our local stories. This is a preventable issue and one we can have an impact on through coordinated and targeted actions.

"...This is a preventable issue and one **we can have an impact on** through coordinated and targeted actions"

Recommendations

RAISING THE PROFILE OF HARMFUL GAMBLING

- Develop a communications campaign to highlight the impact of harmful gambling behaviour. This includes the risks of becoming a harmful gambler, spotting the signs of any individual or of a loved one who may be struggling with gambling addiction and help with quitting gambling.
- We know people begin gambling from a young age in Wirral. We must build knowledge in school aged children about harmful gambling by developing a school education package to be delivered locally.
- Train staff working in licensed gambling premises about how harmful gambling affects people locally and how to identify individuals that might benefit from support by signposting them to relevant services.

SUPPORTING PEOPLE AT RISK OF HARMFUL GAMBLING

- Explore opportunities to ensure that a specialised support service is available for those affected by harmful gambling in Wirral including friends and families who are also adversely affected as highlighted in this report.
- Information on both national and local services to support people affected by harmful gambling should be displayed in all local betting shops.
- All front line staff must be upskilled regarding how to ask questions relating to harmful gambling in order to identify those at risk. There is an existing validated set of screening questions which can assist with this opportunistic consultation and can lead to appropriate referrals and social prescribing into specialist support services.

UNDERSTANDING AND MEASURING HARMFUL GAMBLING IN WIRRAL

- Local gambling premises should provide information to Wirral Council about their local market demonstrating an understanding and awareness of their customers and the effect on the environment.
- Wirral Council will develop local area profiles to provide a more in depth examination of areas of vulnerability to gambling-related harm. These profiles will then inform future licensing decisions as well as acting as evidence to inform the council's planning policies regarding the clustering of retail which causes harm to local health

REGIONAL APPROACH

- It is clear that local authorities attempting to lobby for change on an individual basis is not an efficient approach. Wirral Council will feed into a wider discussion with colleagues across the Liverpool City Region and the Gambling Commission to ensure existing powers to minimise harm from gambling are enacted.

Some Sources of Further Help and Information

LOCAL

BEACON COUNSELLING TRUST
This service includes live chat rooms, individual and group counselling as well as advice on debt management and social support. These services are delivered from a central hub in Liverpool and locations across the North West.
https://beaconcounsellingtrust.co.uk/free-gambling-counselling | 0151 321 1099

GAMBLERS ANONYMOUS
Provides a safe space to share experiences, strength and hope with other people with gambling addition to help each other overcome similar problems
www.gamblersanonymous.org.uk

NARCOTICS ANONYMOUS
Meetings are where you can find support from others who have already been where you are now.
Come along, no appointment necessary, and you'll see others getting clean and staying clean.
https://ukna.org/meeting/birkenhead-2
0300 999 1212 | 23 Conway Street. Birkenhead

ALCOHOLICS ANONYMOUS
Multiple Wirral sites - AA is concerned solely with the personal recovery and continued sobriety of individual alcoholics who seek help via open and closed meetings and a 12 step programme.
www.alcoholics-anonymous.org.uk | 0800 9177 650

CITIZENS ADVICE WIRRAL
Online and face to face help with a range of subjects that include the management of debt, problems with housing and rent, relationship issues and consumer rights.
https://citizensadvicewirral.org.uk | 0300 33 00 111

WIRRAL DEBT ADVICE
Individual debt advice from trained volunteers locally to help manage financial insecurity and debt
WirralDebtAdvice@gmail.com | 07486648014 or 07486450631

NATIONAL

BE GAMBLE AWARE - NATIONAL GAMBLING HELPLINE
Provides information to help people make informed decisions about their gambling, what safer gambling means, to understand and recognise harmful gambling, and where to go for further information, help and support.
www.begambleaware.org | 0808 8020 133

GAMCARE
GamCare is the leading provider of information, advice, support and free counselling for the prevention and treatment of harmful gambling
www.gamcare.org.uk

SAMARITANS
Provides 24 hour support and advice
www.samaritans.org | 116 123

GORDON MOODY ASSOCIATION
Charity which offers an intense level of support consisting of individual and group therapy and a 12 week residential during which residents are helped to adopt new coping skills which help them to attain recovery and to integrate back into society, without the need to gamble.
www.gordonmoody.org.uk | 01384 241292

THE MONEY ADVICE SERVICE
Free and impartial money advice and guides to help improve your finances using tools to help keep track and plan ahead.
www.moneyadviceservice.org.uk/en | 0800 138 7777

NATIONAL HARMFUL GAMBLING CLINIC
The clinic employs psychiatrists, clinical psychologists and counselling psychologists who have received broad training to doctoral level in both NHS and academic settings. Services include individual and couples therapy, medication for harmful gambling and aftercare.
www.cnwl.nhs.uk/cnwl-national-problem-gambling-clinic | 020 7381 7722

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