



Cabinet

Date:	Monday, 26 November 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 - 4)

Key Decisions – taken under delegated powers. Period 21 September, 2018 (date of publication of last Cabinet agenda) to date.

Decision Maker – Cabinet Member – Environment
The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018
(Executive Member Decision Form attached).

CABINET MEMBER REPORTS

4. **BIRKENHEAD COMMERCIAL DISTRICT (Pages 5 - 28)**
5. **REVIEW OF LEISURE, LIBRARIES AND CULTURAL SERVICES - FLORAL PAVILION (Pages 29 - 38)**
6. **REVIEW OF LEISURE, LIBRARIES AND CULTURAL SERVICES - GOLF COURSES (Pages 39 - 48)**
7. **QUARTER 2 BUDGET MONITORING REPORT - REVENUE (Pages 49 - 56)**
8. **QUARTER 2 BUDGET MONITORING REPORT - CAPITAL (Pages 57 - 72)**
9. **TREASURY MANAGEMENT MID-YEAR REPORT 2018/19 (Pages 73 - 88)**
10. **MEDIUM TERM FINANCIAL STRATEGY AND COUNCIL BUDGET 2019/20 (Pages 89 - 104)**
11. **COUNCIL TAX 2019/20 (TAXBASE, DISCOUNTS, EXEMPTIONS AND COUNCIL TAX SUPPORT SCHEME) (Pages 105 - 116)**
12. **COMMERCIAL STRATEGY (Pages 117 - 146)**
13. **WIRRAL TOGETHER: GETTING THE BASICS RIGHT - A NEW MODEL FOR COMMUNITY ENGAGEMENT (Pages 147 - 162)**
14. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**

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

15. **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.

16. **FULL BUSINESS CASE - BIRKENHEAD COMMERCIAL DISTRICT (Pages 163 - 266)**

Appendices to agenda item 4.

Exempt by virtue of paragraph 3 as they contain commercially sensitive information.

17. REVIEW OF LEISURE, LIBRARIES AND CULTURAL SERVICES - GOLF COURSES (Pages 267 - 270)

Appendix to agenda item 6.

Exempt by virtue of paragraph 3 as it contains commercially sensitive information.

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

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

Audio/Visual Recording of Meetings

Everyone is welcome to record meetings of the Council and its Committees using non-disruptive methods. For particular meetings we may identify a 'designated area' for you to record from. If you have any questions about this please contact Committee and Civic Services (members of the press please contact the Press Office). Please note that the Chair of the meeting has the discretion to halt any recording for a number of reasons, including disruption caused by the filming or the nature of the business being conducted.

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EXECUTIVE MEMBER DECISION FORM

DECISION TO BE TAKEN BY: CLLR ANITA LEECH

KEY DECISION: YES

PORTFOLIO AREA: DELIVERY – COMMUNITY SERVICES – ENVIRONMENTAL HEALTH

PORTFOLIOS AFFECTED: ENVIRONMENT

WARDS AFFECTED: ALL WARDS

SUBJECT: ENVIRONMENTAL HEALTH, ANIMAL LICENSING – CHANGES TO AGREED FEES AND CHARGES

1. RECOMMENDATIONS:

The Cabinet Member is requested to:

- (1) Approve adoption of the revised Standard Licence Conditions for animal establishments as set out in this report and appendices 1 to 10.
- (2) Authorise the requirement for the inspection and licensing of the five animal related activities as set out in the regulations, these being;
 - Selling animals as pets
 - Providing or arranging for the provision of boarding for cats and dogs (traditional kennels and catteries, dog day care and home boarding)
 - Hiring out horses
 - Breeding of Dogs
 - Keeping or training animals for exhibition
- (3) Authorise the Corporate Director of Delivery Services, in consultation with the Section 151 Officer, to use delegated authority to revise the existing Animal License fees relating to the implementation and administration of these new regulations to enable all the associated incurred costs to be recovered.

2. REASON/S FOR RECOMMENDATIONS:

Under the constitution The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 regulations can be added to the Officers instrument in writing as the regulations are being made under the primary legislation The Animal Welfare Act 2006, Section 13 which covers the Licensing or registration of Activities involving animals. This primary legislation is authorised under the constitution and regulations made under this act can be delegated to authorised officers.

The Cabinet Portfolio Member has delegated authority to authorise the Director of Delivery Services in consultation with the Section 151 Officer to revise and amend existing fees and charges. The Portfolio Member has been requested to approve the new Animal Licensing fees so that Regulations referred to can be enforced and that all associated costs in implementing the new Regulations can be recovered as allowed for within the Regulations and associated Guidance. The decision has been made as a matter of special urgency as the new Animal Licensing fees are required to be in place by the 1st October 2018 from which date the Regulations apply.

3. STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer who have confirmed that they do not incur unlawful expenditure. The decision has been made as a matter of Special Urgency due to the need for Officers to apply the new Regulations and standard conditions which come in to force on 1st October 2018. After this date the Council's current standard conditions have no legal standing for new licence applications or where licences expire and need renewing. In relation to the new regulations, the proposed revised Council fees and charges also need approval to ensure the Council can recover the full costs of implementing these new regulations. The consent of the Chair of the Environment Overview and Scrutiny Committee has been obtained. 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

There are no conflicts of interest.

<p>Signed: </p> <p>Executive Member: Cllr Anita Leech</p> <p>Date: 18/10/18.</p> <p>Also present:</p>	<p>Signed: </p> <p>Chief Officer: Mark Smith</p> <p>Date: 18/10/18.</p>
<p>Date of Senior Policy Team Meeting(s):</p>	

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

Contact Officer: Colin Clayton
Date:

Date of Publication:

Date of Expiry of Call-In Period:

Form Reference: Executive Member Decision Form May 2012 v 1.0

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**COUNCILLOR
ANGELA DAVIES**

CABINET

26 NOVEMBER 2018

BIRKENHEAD COMMERCIAL DISTRICT

Councillor Angie Davies, Portfolio Holder Jobs & Growth, said:

“Regeneration sits at the core of this administration’s economic growth and development plans. This report seeks approval to initiate broad consultation on Wirral Growth Company’s proposed redevelopment of Birkenhead town centre as part of our wider programme for economic growth in Wirral. By listening and engaging with local residents and businesses we will shape a Birkenhead town centre masterplan which will benefit local business, improve opportunities for residents and deliver thousands of new jobs.

“At the heart of a thriving Birkenhead town centre will be a commercial district which includes Grade A office space, a new market and retail options, and an improved leisure offer. Creating a vibrant commercial district will attract new businesses to Birkenhead, provide space for existing Wirral firms to grow, and also offers the opportunity for our borough’s largest employer, the public sector, to consolidate its real estate and office requirements in line with One Public Estate policies. Currently Wirral Council alone has in excess of 1,700 administrative staff spread across a range of sites and buildings. This report therefore also supports the proposal to consolidate many of these staff into premises which support greater efficiency in the delivery of support services and reduce the cost of expensive leases and maintenance of buildings which could free resources to be better used to meet the needs of residents in other ways.

“Wirral Growth Company will submit a Partnership Business Plan in early 2019, informed by the consultation and the emerging ideas for Birkenhead Commercial District. This is anticipated to attract an investment of up to £150m – the largest single investment in Wirral ever made – and this report seeks approval for officers to identify suitable funding and investment providers, including exploring opportunities with Merseyside Local Government Pension Fund and other social and ethical sources.

“Finally, our ambitions for Wirral Growth Company are anchored in our desire to see economic, social and environmental opportunities increase for Wirral residents.

“Through the schemes it delivers Wirral Growth Company will support us in meeting these social values – including generating job and training opportunities, providing local supply chain procurement, building affordable homes and improving the public realm in our town centres.

Our plans for Wirral are ambitious and progressive. To ensure we deliver these social outcomes and they are recognised as central to the ethos and actions of Wirral Growth Company, I am delighted to be recommended to serve as Chair of the Board of Directors for Wirral Growth Company.”

1. REPORT SUMMARY

- 1.1 The purpose of this report is to initiate an extensive consultation programme to support the development of Birkenhead Commercial District. This development is intended to drive the wider regeneration of Birkenhead through the provision of Grade A office space together with a new leisure and market offer. The consultation will shape how and when these developments might be brought forward.
- 1.2 The report is supported by two business cases. There is a draft business case for Birkenhead Commercial District to demonstrate that it is a viable proposition for WBC. It is intended that a significant proportion of the commercial office space will be taken by private sector businesses. The business case evidences demand for Grade A office space across Merseyside. In addition it is the council’s ambition to create a public sector hub where services from a range of organisations can be co-located to provide residents with more joined up and integrated services. Attached to this report is a business case for the consolidation of Wirral Borough Council back office services into a single building in Birkenhead. Whilst the majority of staff would be relocating from elsewhere in Birkenhead, the business case illustrates the financial benefits of moving away from the council’s current aging asset base.
- 1.3 The simple economics are that to achieve a regeneration of Birkenhead requires an increase in the numbers of people who work and live in the town. The proposal to develop Birkenhead Commercial District will create the space for 2000 additional employees to work in the town centre.

2. RECOMMENDATION/S

- 2.1 It is recommended that Cabinet:
 - 2.1.1 Agree to initiate a consultation programme with a view to informing a Masterplan for the Redevelopment of Birkenhead recognising that the Commercial District will be a key element.
 - 2.1.2 Agree draft Business Case for Birkenhead Commercial District that will be refined through public consultation and engagement with a funder.
 - 2.1.3 Agree the recommended funding approach and authorise the S151 Officer to initiate work on a Forward Funding model of finance with Wirral Growth Company.

- 2.1.4 Agree the Staff Relocation Business Case with a view to moving administrative functions to Birkenhead whilst retaining front line services in communities. This will result in disposal / development / termination of lease/s of 14 existing sites
- 2.1.5 Agree to appoint the Portfolio Holder for Jobs & Growth to Chair WGC Board of Directors.
- 2.1.6 Note that Wirral Growth Company is also proposing to progress public consultation in Moreton, Bebington and West Kirby, as well as with stakeholders for Bromborough's Industrial Estate, to inform future development plans and masterplanning.
- 2.1.7 Approve capital expenditure from the budget set aside for strategic acquisitions to complete land assembly within the BCD redline boundary.

3. EXEMPT INFORMATION

3.1 This report contains exempt information in the Background Paper as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public under Paragraph 3 'Information relating to the financial or business affairs of any particular person (including the authority holding the information).

3.2 The following Appendices are commercially sensitive and therefore exempt:

Appendix 1: Birkenhead Commercial District Full Business Case (& appendices)

Appendix 2: Staff Relocation / Asset Consolidation Full Business Case (& appendices)

Appendix 5: Strategic Acquisitions within redline boundary.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Many former industrial towns and inner city areas remain blighted by unemployment, poor housing and some communities are socially excluded from more prosperous districts.
- 1.2 The Council has through its 2020 Pledges committed to the urban regeneration of the largest towns in the Borough. The priority for Birkenhead is to reverse decline in the town by both improving its physical structure and, more importantly, the economy of the area.
- 1.3 The proposed Birkenhead Commercial District is intended to create over 300,000 sqft of Grade A commercial office space with 70% destined for private sector occupancy. The emerging idea is to achieve this through four new office buildings on Europa Boulevard/Conway Street. These would be high quality offices offering the IT connectivity to make them attractive to a range of businesses. Within the Commercial District, it is planned to introduce a public service hub where residents can access a range of integrated services more easily.
- 1.4 One of the most important factors in creating more vibrancy in the town centre, and in so doing supporting regeneration, is to improve the retail and leisure offer. The Business Case for the Commercial District generates sufficient surplus to additionally build a new market and also a new leisure centre. It is considered that these developments will make the office accommodation more attractive and also provide more amenities to Wirral residents. The market has traditionally sat at the heart of Birkenhead and there was a real sense of pride in the range and quality of goods that it sold. Our ambition is to support the creation of a new retail offer.
- 1.5 The Birkenhead Commercial District Business Case details prevailing conditions in terms of office lets. We believe there is demand for Grade A office space in Birkenhead. In addition to the provision of retail and leisure improvements, the transport connectivity offered, makes the location of the Commercial District desirable.
- 1.6 Birkenhead Commercial District will be delivered through Wirral Growth Company, the council's partnership with Muse Developments. The business case explores how this would work. Additionally, the case explores the different third party funding options that are available. It concludes that a forward funding model would offer best value for money and ensure that the project was deliverable and of least risk to the Council.
- 1.7 These proposed changes will have a significant impact on Birkenhead. It is important that they are shaped by the residents in Birkenhead and across Wirral. The Business Cases within this report illustrate that the proposals are viable and they will be revised further with feedback from the consultation exercise.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Historically, attempts to regenerate Birkenhead through speculative building have not achieved the desired outcomes. To continue in this way will not meet the needs

of the council, its partners and residents and risks endangering Wirral's future prospects.

Asset Consolidation Options

2.2 With regards to our current operational estate, 2 main issues need to be addressed:

- the Council's current buildings are part of an aged infrastructure, incur high maintenance liabilities and are of diminishing value; and
- they are no longer fit for purpose in enabling the authority to embrace more modern, agile working practices with partners to improve service delivery for residents.

2.3 A number of options were considered to address these issues and are detailed in full in the attached business case (Appendix 2: Staff Relocation / Asset Consolidation Full Business). In summary, the options considered were:

Option 1 - Do nothing

Option 2 - Key site refurbishment

Option 3 - Rent office space

Option 4 - Build new accommodation

2.4 Each option was assessed against the following success criteria:

- supports the Delivery of the Wirral Plan
- supports the Council's modernisation agenda (new ways of working) with partners
- supports the economic regeneration of the area
- supports improved service delivery across the public sector
- long term sustainability of Council services
- positively contributes towards the Council's Medium/Long Term Financial Strategy
- attracts new investment into Wirral
- is attractive to partner organisations
- supports the delivery of the Council's asset strategy
- is environmentally sustainable
- supports the delivery of the One Public Estate Programme

2.5 The option which scored most highly and therefore the recommended option was Option 4 - Build New Accommodation. The benefits and financial viability of this option are demonstrated in the attached business case.

Birkenhead Commercial District Funding Options

2.6 It is anticipated that the relocation of staff to new offices in the Birkenhead Commercial District will support the development and regeneration of the borough. Through a proposal for the Council to take a head lease on office accommodation, a capital surplus will be produced which will enable development of a new market facility, new leisure facilities and enhanced public realm.

2.7 A number of funding options to deliver this have been considered and are detailed in full in the attached business case (Appendix 1: Birkenhead Commercial District Full Business Case).

2.8 In summary, the following funding options are being considered:

Option 1 –Forward Funding / Annuity Funding Model

Funding for the gross capital expenditure of this option is 100% sourced from the private funding market – typically a Pension Fund. Essentially this means all the capital expenditure is provided by the funder and repaid through the annual lease payments.

Option 2 – Hybrid Model – Part forward funding /Part Council Funded

This option assumes that 50% of the gross capital expenditure is funded through private funding sources from the market, similar to option 1, with the balance of funding provided by the Council directly, using PWLB as a funding source.

Option 3 – Self-development - 100% PWLB Funded

In this option the Council fully funds the gross capital construction costs of development through prudential borrowing including the construction of a new market and Leisure facility on site.

2.9 All options have been financially modelled and assessed, full details are included in the attached business case. Option 1 (Forward Funding / Annuity Model) on a straight 30 year comparison provides the greatest benefit on a net present value basis. This provides the greatest capital surplus back to the Council, after provision of a new market and leisure facility. This is also considered to be more deliverable and present less risk to the Council. However as the Council will become the owner of the asset at the end of any headlease period, it has the option to spread the costs of capital over a longer period than 30 years. This may have additional revenue benefits and some additional technical accounting work and advice is required to explore this option further.

3.0 BACKGROUND INFORMATION

3.1 On 19th June 2017, Cabinet considered and approved a Full Business Case (FBC) which set out a proposal to create a Property Company ('Wirral Growth Company'). The Corporate Director for Business Management was authorised to commence and conduct an OJEU works concession competitive dialogue process to identify a private sector partner with which to form a joint venture vehicle to develop sites and areas within Wirral to meet the Councils strategic objectives.

3.2 Following Cabinet's approval, an OJEU notice was issued on 4th July 2017 and the procurement process commenced. A four stage competitive dialogue process was followed and on 3rd January 2018 Final Tenders were received from two short-listed bidders. Bidders were scored against a series of questions each with set criteria and weightings. Key areas tested were stakeholder engagement, sales and marketing approach, assets management, business planning, programme and supply chain management, approach to social value, masterplanning /design and financial modelling.

- 3.3 Specifically, bidders were required to provide RIBA 1 masterplans for 5 sample schemes, one of which being Birkenhead town centre. This specification included the development of a new integrated public sector hub.
- 3.4 On 28th February 2018, Cabinet agreed to award the works concession to Muse Developments and to form a JV LLP between Muse Developments and Wirral Borough Council ('Wirral Growth Company')
- 3.5 This was created to lead the regeneration of a number of places within the borough. Wirral Growth Company is proposing to progress public consultation in Moreton, Bebington and West Kirby, as well as with stakeholders for Bromborough's Industrial Estate, to inform future development plans and masterplanning.
- 3.6 This company will play a significant role in the regeneration of Birkenhead and it is expected that the investment made into and by the Wirral Growth Company will help deliver the Council's ambition to become a thriving town centre of choice: a destination in its own right, a celebrated waterfront, with amenities and a range of quality retail and leisure offers that would enable significant inward investment to take place.
- 3.7 The Council is now working alongside Muse on key developments across the Wirral. Initial plans have been drawn up for Birkenhead Commercial District which could include the development of 4 office buildings, a new market, new leisure facility and improved public realm.

4.0 FINANCIAL IMPLICATIONS

- 4.1 On a 30 year comparison basis a forward funding annuity model provides the best return on a net present value basis. This reflects the value of early receipts of monies and the cash flow benefits of timings of payments.
- 4.2 The Council will become owners of the assets after the headlease period ends. This does give an opportunity to the Council to spread its costs of capital under the PWLB funded option 3 over a wider timeframe. The spreading of such costs would have a revenue benefit in lowering the payment profile charged to the revenue budget. This would impact particularly in the early years of the scheme. Further technical accounting work and advice will be required to fully assess this variation to the option 3 approach. This could mean the advantages gained from this may outweigh those of option 1.
- 4.3 The analysis of an extended charge period for option 3 can be undertaken at the same time work on developing the forward funding option is taking place.
- 4.4 All options involve a number of assumptions relating to the cost of financing. Assumptions are based upon best knowledge of market and loan rates that would apply at the time the BCD scheme is under construction. Movements in rates would impact on the profitability of the scheme.
- 4.5 The proposal involves some risk as detailed in section 7 of this report. Rental income needs to exceed the annual costs being incurred that council commits to. There is a risk that rents will not cover costs, but also an opportunity that profit can be achieved on rental income.

4.6 Cabinet has already agreed a budget for Capital expenditure to allow for strategic land assembly. This report seeks approval to acquire an asset within the redline boundary to complete that process.

5.0 LEGAL IMPLICATIONS

5.1 The Wirral Growth Company Joint Venture with Muse Developments is supported by a suite of corporate legal documentation, an overview of the principle documents can be found in [Appendix 3](#).

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The staff relocation business case recommends the relocation of approximately 1700 administration staff currently dispersed over 14 locations in the Wirral. It is recommended that staff are relocated to one or more offices within the Birkenhead Commercial District. There are no changes to job roles or functions recommended as part of this business case; however it is assumed that an agile approach to working will be adopted. In addition, the opportunity to co-locate council staff with partners will enable a more collaborative approach to providing services to our residents. 'Front line' staff who provide services within communities or through one-stop shops are not being considered for relocation.

6.2 The sites which are vacated could either form part of the development plans for Wirral Growth Company or be disposed of to obtain a capital receipt for the Council.

7.0 RELEVANT RISKS

Risks associated with the proposed Birkenhead Commercial District development and relocation of staff and asset consolidation are explored fully in the attached business cases.

Some of the more significant risks are highlighted below:

Risk	Mitigating Action	Impact
7.1 There is a risk that the views and aspirations of local residents, businesses and key stakeholders are not fully understood or used to inform future regeneration programmes, undermining public support.	A thorough Consultation, Outreach and Engagement programme is proposed to generate both a robust qualitative and quantitative evidence base, but also to generate wide support for regeneration with key audiences across Wirral.	High
7.2 There is a risk that vacant buildings are not disposed of / developed promptly leading to additional costs, e.g.,	Developments and staff relocations will be phased. A Staff Relocation Plan and Asset Disposal Plan will be designed in accordance with this ensuring that buildings are made available at the	Medium

business rates, security, etc.	appropriate stages in the construction programme.	
7.3 There is a risk that the office accommodation offer will not be attractive to the market and lettings are not sufficient to be viable.	All office space will be designed to meet standards expected by the commercial market. A lettings strategy will be developed to maximise commercial opportunities.	Medium
7.4 Design changed to meet revised client requirements	Regular User Group meetings to be held to review design and agree Schedule of Accommodation from the outset. Stakeholders, funders and end users to sign off design and cost plan at each stage. No changes to be made before time and cost implications have been fully assessed. All changes to be managed through a change control process reporting into the JV Board.	Medium
7.5 Unexpected events or unknown conditions adversely impact costs and potential viability of any site or phase.	This will be managed through: <ul style="list-style-type: none"> • Programme governance arrangements, e.g., reporting and control mechanisms, ongoing risk and issue management, etc. • Sensitivity analysis on the financial calculations. • Ensuring that surveys are accurate. • Contingency costing will be informed by Site Development Plans (SDP's). 	Medium

8.0 ENGAGEMENT/CONSULTATION

- 8.1 To be successful in our regeneration and economic growth ambitions we must generate awareness, interest and support with residents, businesses and other key stakeholders.
- 8.2 Our strategy will be informed by in-depth public consultation, outreach and engagement into the needs of Birkenhead with local residents, workers, businesses and visitors.
- 8.3 To be able to do this we propose a bespoke consultation, outreach and engagement strategy which is tailored to the area, the community and their social, economic and environmental circumstances.
- 8.4 Our Consultation, Outreach and Engagement Plan will inform an ambitious set of projects which respond to the many challenges and opportunities identified.

There will be an extensive public outreach / consultation programme on the proposed designs for Birkenhead Commercial District. This proposal is included as Appendix 4.

- 8.5 The principal needs from the bespoke consultation, outreach and engagement are:
- 8.6 Produce Evidence Base: Develop and deliver primary research to provide qualitative and quantitative evidence from a significant sample of residents, businesses and communities on key topics and issues. This evidence base would confirm what local people and visitors to Birkenhead think of the town and how its offer could be improved.
- 8.7 Generate Awareness, Excitement and Support: Host a range of events and activities across the town to understand the ambitions and aspirations of local people for Birkenhead. Capitalising on events already planned, such as the Borough of Culture schedule and other activities, this work would enhance and build upon the outreach already undertaken by 'Wirral Well Made' engagement programmes to generate awareness, excitement and support for the regeneration and transformation of Birkenhead Town Centre.
- 8.8 In addition, further consultation will take place as part of the planning process.
- 8.9 Staff and partners will be engaged and consulted throughout the process of defining the office requirements to ensure all building and floorplate designs are fit for purpose.

9.0 EQUALITY IMPLICATIONS

- 9.1 Equality Impact Assessment can be found at -. <https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

REPORT AUTHOR: Stewart Halliday

REPORT SPONSOR: Brian Bailey

APPENDICES

Appendix 1 – **EXEMPT** Birkenhead Commercial District Full Business Case

Appendix 2 – **EXEMPT** Staff Relocation & Asset Consolidation Full Business Case

Appendix 3 – Overview of Principal Legal Documents

Appendix 4 – Approach to Public Consultation

Appendix 5 – **EXEMPT** Strategic Acquisitions within redline boundary.

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Strategic Options Report to Cabinet	27 th February 2017
Property Company Full Business Case to Cabinet	19 th June 2017
Wirral Growth Company: Preferred Bidder Report	28 th February 2018

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**OVERVIEW OF THE PRINCIPAL LEGAL DOCUMENTS
FOR THE WIRRAL GROWTH COMPANY LLP**

UPDATED 14 NOVEMBER 2018

NOTE

This overview is not an exhaustive list of all points raised in the principal legal documentation nor is it a substitute for considering the principal legal documents themselves in full. The principal legal documents are currently confidential. Terms defined in the principal legal documentation have the same meaning in this overview.

The position set out below reflects the position of the Council to be reflected in the latest iterations of the legal documents which are to be circulated on behalf of the Council during the week commencing 19th November 2018.

OVERARCHING PRINCIPLES

The joint venture provides an opportunity for the JV Partners to harness private sector funding and expertise with Sites currently owned by the Council (and others) to help deliver the holistic long term physical development and regeneration of Wirral with associated benefits that contribute to the social and environmental improvement of the area and provide community benefits.

The first principles for the LLP (the **JV Objectives**) are:

- in relation to the Council, to:
 - secure local economic growth;
 - make a positive contribution towards delivery of the Council's Asset Transformation Programme;
 - contribute to ensuring that businesses encouraged to invest in the Wirral have access to property that meets their needs and delivers business rate growth;
 - better utilise the Council's assets to drive socio-economic change to secure a sustainable future for the benefit of the community;
 - maximise the Council's financial return from the disposal of its land and property assets with a preference to generate secure revenue streams;
 - positively contribute towards the Council's Medium/Long Term Financial Strategy (LTFS);
 - improve the environment;
 - ensure the Council is not exposed to undue financial risk;
 - comply with the Council's obligation to obtain best consideration reasonably obtainable on a disposal of its land;
 - to ensure and encourage additional private sector investment, capacity and capability which is enabled to support the broad regeneration objectives of the Council.
 - (together the **Council Objectives**); and
- in relation to the JV's business to deliver the **LLP's Objectives**, being:
 - to bring forward, in a timely manner and responding to market demand, the development of the indicative Sites and potentially to undertake other site development;

Wirral Growth Company – Cabinet Paper 26.11.2018 – APPENDIX 3

- to bring forward, responding to market demand, the development of Sites which are considered more difficult to develop at a comparable rate with Sites which are considered easier to develop;
- to make strategic and opportunistic acquisitions, in particular interventions that support the implementation of the Council's Growth Plan or the development of an improved retail, commercial and public sector offer in Birkenhead and other Wirral town centres;
- to secure an adequate return to the JV Partners commensurate to their investment and the level of risk in respect of such investment to maximise the profits made by the LLP (this is the **Mandatory JV Objective**); and
- to support the Council in pursuit of its wider objectives by identifying and helping deliver favourable solutions that balance financial, economic and social returns.

The LLP may develop Sites directly or enable the delivery of major development schemes in partnership with others (such as at Woodside). The most appropriate approach may vary on a site by site basis, or may vary over time. The Procurement Strategy provides the framework to enable the LLP to procure works and services for each development.

All projects to be delivered by the LLP will be assessed by reference to the JV Objectives, as set out in the Partnership Business Plan and Partnership Agreement. The Partnership Business Plan will be approved by the Council and the Private Sector Partner annually on a 3 year rolling basis. Sites for development may change, depending upon title, collaboration or market conditions from time to time and as Sites are drawn down for development. Both the Council and the PSP will need to approve changes to the Sites (and Non-Council Sites) to be developed in the Partnership Business Plan from time to time.

PRINCIPAL PARTIES

The principal parties to this joint venture are:

- the Council
- the PSP (Muse Developments Limited)
- the joint venture company, to be structured as a limited liability partnership (LLP) with wholly-owned development subsidiaries underneath the main JV vehicle (currently Wirral Growth 2018 LLP to be renamed Wirral Growth Company LLP)
- the PSP Guarantor (Morgan Sindall Group plc)
- the Development Manager (Muse Developments Limited)

LEGAL STRUCTURE

The Council and the PSP will be the JV Partners (i.e. members) in a limited liability partnership for an initial term of ten years with an option to renew for a further five years. The LLP will be structured as a 50/50 deadlocked vehicle in which the JV Partners will each hold an equal interest.

ISSUE	SUMMARY OF PRINCIPAL LEGAL DOCUMENTS
<u>BASIC INFORMATION</u>	
Principal legal documents and parties	<p>Partnership Agreement – between the Council, the PSP and the LLP, regulating the conduct and affairs of each party. This includes the Procurement Strategy and the Delegation Policy, the process for drawdown of sites and drafting / content / approval / and revision of both the overarching Partnership Business Plan and site specific Site Development Plans, and how decisions will be made.</p> <p>Parent Company Guarantee – the PSP Guarantor, the LLP and the Council, with</p>

	<p>the PSP Guarantor guaranteeing the obligations of the PSP.</p> <p>Loan Note Instruments – for working capital provided to the LLP either before the drawdown of a Site (Initial Loan Notes), upon draw down of a Site (Council/PSP Loan Notes) or otherwise as needed (Additional Loan Notes). The intention is that these Loan Note Instruments will be near identical, save potentially for the interest rate applied. To the extent working capital is drawn down to Development Subsidiary level, there will also be a Development Subsidiary Loan Note Instrument, which will again, as far as possible, mirror the terms of the Loan Note Instrument executed by the LLP.</p> <p>Security Agreements - relating to the Council, PSP and Development Subsidiary. So long as the various LLP Loan Notes remain outstanding, they shall be secured by the LLP in favour of the Council / PSP by charging the property, rights and assets of the LLP. This will equally apply to any Development Subsidiary which will charge in favour of the LLP the property, rights and assets of the Development Subsidiary. Any security granted to the LLP, Council and the PSP will, in time, be subject to any security granted with priority in favour of a senior funder.</p> <p>Deed of Priorities – between the Council, the PSP and the LLP ensuring that the Council and the PSP rank equally for repayments of amounts secured by the Security Agreements.</p> <p>Option Agreement – between the Council (as the current holder of the relevant Sites) and the LLP. Specified pre-conditions will need to be satisfied before the LLP is able to exercise an Option in respect of any Site. The LLP can exercise the option for itself or for a Development Subsidiary.</p> <p>Transfer / Lease – if an Option is exercised, the Option Agreement allows for transfer of the Site by way of a freehold transfer or grant of a long lease to the LLP or Development Subsidiary, as the case may be, The lease will be for a term of 250 years or such shorter or longer period as indicated in the Site Development Plan. Long lease terms are typically between 99 and 250 years for non-residential properties and 999 years for residential properties.</p> <p>Development Management Agreement – between the LLP and the PSP as Development Manager relating to the services to be provided by the Development Manager.</p> <p>Pre-Construction Agreement, Development Agreement and Building/Construction Contract – between the Council and the LLP (or Development Subsidiary) or the LLP (or Development Subsidiary) and the relevant developer, contractor or consultant, with appropriate collateral warranties and assignment of IP rights.</p> <p>Corporate Services Agreement – between the LLP and the PSP as corporate services provider, relating to the provision of various corporate services such as accountancy services; administration of the loan notes; company secretarial services.</p>
Name of the LLP	Wirral Growth Company LLP
BUSINESS	
"Business" of the LLP	<p>The "Business" of the LLP will be defined in the Partnership Agreement as:</p> <ul style="list-style-type: none"> • during any period for which a Partnership Business Plan has been adopted and is in force, to undertake such business(es) as is or are set out in that Partnership Business Plan; • during any period for which a Site Development Plan has been adopted and is in force, to undertake such business(es) as is or are set out in that Site Development Plan; and • to undertake such other business(es) as the JV Partners may from time to time

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	<p>unanimously agree, provided in all circumstances that such business(es) promote the achievement of the JV Objectives.</p> <p>Development activities may be carried out through separately incorporated Development Subsidiaries which are wholly-owned by the LLP (for risk and debt security ring-fencing reasons).</p> <p>The LLP's business will be framed by a Partnership Business Plan and individual Site Development Plans.</p>
<u>FUNDING THE LLP</u>	
<p>How will the Site development funding needs of the LLP be met?</p>	<p>Funding requirements for a Site will be agreed and set out in the Site Development Plan and the Partnership Business Plan.</p> <p>In advance of Site transfer or lease (where a Site is to transfer or be leased to the LLP or to a Development Subsidiary):</p> <ul style="list-style-type: none"> • for cost efficiency reasons, the Council could undertake title and other initial site investigations/ preliminary checks and may take action such as advertising open space and appropriating the land between different purposes for the creation of Site Development Plans. • it is envisaged that the Council and the PSP will provide initial working capital to enable LLP to develop proposals and Site Development Plans. If agreed in the Partnership Business Plan the Council may also provide cash or assets to the LLP if the LLP's costs can be reduced more effectively by the Council doing so. Interest will accrue on the initial funding. • Planning application/permission costs to be borne by the LLP. <p>Upon Site transfer or lease (where a Site is to transfer or is to be leased to the LLP or to a Development Subsidiary):</p> <ul style="list-style-type: none"> • Initial Loan Notes, value of assets (if any) provided by the Council and the market value of the Site (which for many Sites will be the residual land value) crystallised into the Council Loan Note. • PSP to match the value of the Council's Loan Note through the PSP Loan Note (the Initial Loan Note funding provided by the PSP, including in relation to planning costs in advance of Site transfer counts towards the value matching obligation). • Third party funding obtained for Site development, if required. • Where the development of a Site is not viable without a subsidy (an Affordability Gap), the Council the intention is to seek grant funding from other sources, such as City Region funds, to cover some or all of the Affordability Gap on a Site, Where grant or other funding is not available the Council may fund the Affordability Gap, and such amount is not treated as a loan to the LLP. • Additional finance may be provided by the JV Partners if unanimously agreed. • Interest will accrue on JV Partner Loans at a rate to be agreed between the JV Partners and state aid compliant. Senior funding and JV Partner Loans to be secured and subject to any deeds of priority entered into between the JV Partners and/or the JV Partners and the senior funder(s). • Upon the realisation of a Site, the amount of Council Loan Notes to be repaid, will be varied to reflect the amount of Super Profit if any on a Site. The Super Profit is the amount of profit on a Site remaining after payment of the interest on the JV Partner Loan Notes, the relevant price for the Site, the development costs incurred (including any senior lender's debt), and the LLP's Return for that Site. On some sites Super Profit may be insufficient to repay the Council

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	<p>Loan Notes in full, and the amount to be repaid on the Council Loan Notes is reduced to the balance of Super Profit remaining, which may be nil on other sites it may exceed the value of the Council Loan Notes.</p> <p>The Council recognises the PSP's risk in respect of initial schemes if aborted when the LLP has no reserves (and the JV Partners have not received returns which can be reinvested). Accordingly, if no Site Development Plan has been approved prior to the second anniversary of the Partnership Agreement, the Council is prepared to underwrite a percentage of the LLP's costs will be 50% of the abortive costs. The overall limit of the Council's exposure will be set by the value of pre-transfer costs which can be incurred on a given scheme, as agreed in the Partnership Business Plan, or as subsequently may be agreed between the Council and the PSP.</p>
<p>SITES</p>	
<p>How many Sites are involved?</p>	<ul style="list-style-type: none"> • The Option Agreement relates to a list of 12] Priority Sites and 20 further sites. • Other opportunities may? arise during the JV lifetime from Council and third party sites, including ?some sites that have already been acquired by the Council, such as the Europa Building in Birkenhead.
<p>Approval process for a Site Development Plan in relation to a Site</p>	<p>A template Site Development Plan governing all future Sites (including those within the Priority Sites) will be scheduled to the Partnership Agreement. Going forward, Site Development Plans are prepared and agreed via a four stage process set out in Schedule 2 of the Partnership Agreement:</p> <ul style="list-style-type: none"> • Draft Indicative SDP – the LLP prepares, and the JV Board considers whether the Draft Indicative SDP meets at least three Council Objectives, the Mandatory LLP Objective and at least two other of the LLP's Objectives. This may be an iterative process requiring more than one consideration by the JV Board. • Approved Indicative SDP - Upon the JV Board approving the Draft Indicative SDP, the JV Board shall as soon as reasonably practicable but in any event within five Business Days, circulate the same to JV Partners for approval. Within 20 Business Days of the JV Partners receiving the Draft Indicative SDP from the JV Board, a meeting of the JV Partners shall be convened for them to consider and, if thought fit, approve the Draft Indicative SDP. Upon the JV Partners approving the Draft Indicative SDP, it shall become the Approved Indicative SDP. • Draft Formal SDP – Upon the JV Partners approving the Draft Indicative SDP, the LLP prepares the planning application for the Site. Once Satisfactory Planning Permission has been received, the LLP prepares a fully costed and complete site development plan, which is the Draft Formal SDP. The LLP prepares, and the JV Board considers whether the Draft Formal SDP meets the same objective test at the Draft Indicative SDP and whether the scheme will be financially viable and will satisfy the Viability Test in the Option Agreement. Again this may be an iterative process requiring more than one consideration by the JV Board. • Site Development Plan – Upon the JV Board approving the Draft Formal SDP, the JV Board shall as soon as reasonably practicable but in any event within five Business Days, circulate the same to JV Partners for approval. Within 20 Business Days of the JV Partners receiving the Draft Formal SDP from the JV Board, a meeting of the JV Partners shall be convened for them to consider and, if thought fit, approve the Draft Formal SDP. Upon the JV Partners approving the Draft Formal SDP, the Draft Formal SDP shall be immediately deemed to have been adopted by the LLP as a Site Development Plan. <p>Any non-material variation to a Site Development Plan requires the approval of the JV Board. The JV Board shall refer any proposed variation to the JV Partners if all</p>

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	Representatives appointed by at least one JV Partner request that the variation be referred to the JV Partners. Any material variation to a Site Development Plan (including any variation referred to the JV Partners by the JV Board) requires the approval of both JV Partners as a reserved matter.
Can other Council and non-Council sites be considered for redevelopment by the LLP?	Yes – the approval process is broadly the same set out above (i.e. preparation and approval of a Site Development Plan).
Conditions to transfer of Site to the LLP	<p>Common conditions – e.g. approval of Partnership Business Plan and Site Development Plan, agreement/determination of best consideration and financial objectives and vacant possession.</p> <p>Specific conditions – as may be set out in the relevant Site Development Plan (e.g. funding, viability, construction and an acceptable planning permission) and in the Option Agreement – planning, funding, business plan, statutory consents, construction and viability</p>
Timing of land transfers in to or leases to the LLP	<p>At any time during the Option Periods (3 years for the Priority Sites and 10 years for the Further Sites) subject to the terms of the approved Site Development Plan and satisfaction of conditions in relation to a particular Site as stated in the Option Agreement.</p> <p>Transfers or leases of the Sites may be made in different ways depending upon the nature of the development in question (for example, a building agreement and lease, then direct sale to an investor (such as the Merseyside Pension Fund) or transfer to a Development Subsidiary for retention by the Development Subsidiary, or onward sale of the Development Subsidiary itself</p>
Valuation principles for Council's land/Sitestransferring in to the LLP	Market valuation (in accordance with the principles of the RICS Valuation and Standards Manual (Red Book) based on a residual value method of valuation or such other method as may be appropriate and carried out by an independent valuer at or immediately prior to the Draft Formal SDP being submitted to the JV Partners for approval - subject always to the Council being satisfied that the figure reached satisfies its statutory obligation relating to disposal of the Site(s) , including the obligation to obtain best consideration.
Procurement of works and services by the LLP	This will be subject to the Procurement Strategy contained in the Partnership Agreement. Some works and services will be delivered by the PSP group companies included in the tender process – others will be tendered through the Chest or otherwise in accordance with the Procurement Strategy.
Use of proceeds of Site sales / profits	<p>Save to the extent otherwise expressly agreed in writing by the JV Partners, net profits remaining after repayment of senior funding and any retention shall first be used by the LLP to make certain repayments in accordance with the following descending priority of repayments (unless otherwise agreed by the JV Partners in writing):</p> <ul style="list-style-type: none"> • repayment to the Council and the PSP of any outstanding Initial Council Loan Notes and Initial PSP Loan Notes (plus, in each case, any interest accrued thereon); • repayment to the Council and the PSP of any outstanding Council Loan Notes and PSP Loan Notes (plus, in each case, any interest accrued thereon). <p>Any remaining distributable profits after the LLP has made all repayments pursuant to the above shall be apportioned between the JV Partners in proportion to their capital contributions and credited to their respective current accounts accordingly.</p>

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<u>GOVERNANCE</u>	
Composition of the JV Board	<p>Four representatives appointed by each JV Partner, comprising in the case of the Council, two Council Officers and two Members.</p> <p>The JV Board should not be too big or too small to manage to the business of the LLP. Alternates will be permitted. The right commercial people need to be appointed to the JV Board so that the JV Board is a viable commercial decision-making entity.</p> <p>The Chair of the JV Board will be appointed on an annual rotating basis and drawn from the representatives. He/she has no second or casting vote.</p>
Decision-making	<p>Matters reserved to the JV Partners in the Delegation Policy will be passed if approved by both JV Partners.</p> <p>At JV Board level, each representative will have one vote and a decision of the JV Board will be passed if approved by a majority of representatives. If not all of a JV Partner's JV Board representatives are present at a JV Board meeting, that representative(s) present may cast the votes of absent representatives, thereby ensuring a board deadlock position can be preserved.</p> <p>The Partnership Agreement will contain provisions relating to conflicts of interest to ensure, as far as possible, that the LLP is at an arm's length to the JV Partners.</p>
Deadlock	<p>Escalation to senior persons within the PSP and Council organisations, followed by mediation followed by either expert determination and/or winding up (depending on nature of deadlocked matter and whether the deadlocked matter can ultimately be resolved).</p>
<u>MISCELLANEOUS</u>	
Transfers by JV Partners of interests in the LLP	<p>No transfers at any time are permitted to unsuitable persons. Subject to this, no transfer of a JV Partner's interests without consent of the other JV Partner except for certain "intra-group" permitted transfers.</p> <p>A transfer of interests in the LLP will include a transfer of the benefit and burden of any loans made to the LLP.</p>
Default	<p>Default events will include a failure to approve the first Partnership Business Plan within 3 months of the date of the Partnership Agreement, breach of certain key project 'milestones', change of control, insolvency, material or persistent breach. The PSP will also be in default if the PSP Guarantor suffers or commits a default event including if it breaches a specified net asset value threshold.</p> <p>Whilst a breach remains unremedied (if it is remediable), the defaulting JV Partner and any Representatives appointed by it are excluded from decision-making and may not receive any distributions of profits referable to the period of the default subsisting.</p> <p>On a default under the Partnership Agreement, the "non-defaulting Member" has the option (but not the obligation) to buy out the other (defaulting) JV Partner's interests in the LLP at a 5% discount to market value, if it gives notice within 10 Business Days following service of a Default Notice.</p> <p>If the option to buy out the other is not exercised, the LLP is to be wound up.</p>
Duration of joint venture	<p>Unless terminated early, the joint venture will last for 10 years with option to renew for further five years.</p>
Winding up	<p>Standard winding up events (i.e. both JV Partners agreeing, insolvency of the LLP,</p>

	<p>unresolved deadlock, change in law, duration of the LLP expiring).</p> <p>Developments on Sites which have been commenced at the time of the winding up of the LLP are to be completed.</p> <p>A winding up event will also terminate any outstanding options and entitle the Council to:</p> <ul style="list-style-type: none">• repurchase Site(s) out of the LLP (where the development supply chain has not been appointed) at their then market value;• purchase intellectual property rights vesting in the LLP in relation to any Sites, to ensure that it can benefit from such rights to continue to pursue the proposed development on the relevant Site. <p>After payment of all expenses, loan notes and third party creditor costs, any surplus distributed between the JV Partners will be:</p> <ul style="list-style-type: none">• where there has been no default event, on a 50:50 basis; and• where the termination follows a default event, 45% to the defaulting party and 55% to the non-defaulting party.
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Wirral Growth Company
Proposed Approach: Public Consultation, Outreach and Engagement

1. Overview

Wirral Council is creating a long term, ambitious vision for the whole of Birkenhead which will strengthen its appeal as a great place to live, work and visit.

We will deliver a programme to improve and enhance the town as a location; one with thriving residential neighbourhoods, acknowledged as a place to do business, and offering a distinct retail, leisure and entertainment experience. The strategy and subsequent plan will provide a long list of projects which could be delivered by the council and its stakeholders during 2019.

Within our wider programme we will ensure Birkenhead Town Centre strengthens its reputation as Wirral's primary retail and commercial centre. Our strategy will support Wirral's growth ambitions and respond to the big challenges we face; from a rapidly evolving retail environment; to a place which appeals to a greater number of people; to a destination providing more attractions and amenities which build a sense of ownership and belonging for the whole community.

To be successful in our ambitions we must generate awareness, interest and support with residents, businesses and other key stakeholders. Our strategy will be informed by in-depth public consultation, outreach and engagement into the needs of Birkenhead from engagement with local residents, workers, businesses and visitors.

2. Bespoke Consultation, Outreach and Engagement

We want to create a vibrant, positive future for Birkenhead as a key part of Wirral and we will listen to everyone who has an interest in achieving this, particularly those who live, do business in, work in or visit the town regularly.

This is not, and will not replace, formal planning consultation. However, many of the findings and conclusions identified should help to inform and shape the future plans of developers by painting a clearer picture of what residents and others aspire to for Birkenhead. It should also contribute to the strategic plans and spatial frameworks the Council and others must produce, and it should provide evidence and opinion which creates a single and focussed ambition for the town centre amongst its residents, businesses and key stakeholders.

There are some existing rules which we will adhere to as we shape our conversations. We will respect and enhance the physical space, character and heritage of the place and provide solutions which improve residents' liveability and experience.

To be able to do this we propose a bespoke consultation, outreach and engagement strategy which is tailored to the area, the community and their social, economic and environmental circumstances.

Our bespoke Consultation, Outreach and Engagement Plan will inform an ambitious set of projects which respond to the many challenges and opportunities identified.

A priority amongst these will be to understand the ambitions and aspirations held by residents, businesses and communities for the future of Birkenhead Town Centre.

3. Key Issues

Wirral Council already holds a range of evidence on the challenges and opportunities facing Birkenhead and these represent a starting point for planned Consultation, Outreach and Engagement.

However, much of this evidence, such as the 2015 Wirral Retail and Leisure Study, has been surpassed by significant real-world changes, including the closure of BHS and Marks and Spencer and the ongoing threat of closure to House of Fraser, changes in employment patterns and growing economic uncertainty

It is clear there is a need for a review and refresh of the qualitative and quantitative evidence we have available to better understand the use, perception and ambition for Birkenhead amongst residents, businesses and visitors.

This work would play a key role in informing future retail and leisure strategies, investigate housing and residential needs and understand future employment and business opportunities in the town which could shape emerging proposals from Wirral Growth Company and others on the regeneration and economic development of Birkenhead.

4. Consultation, Outreach and Engagement Objectives

The principal needs from the bespoke consultation, outreach and engagement are:

4.1 Produce Evidence Base: Develop and deliver primary research to provide qualitative and quantitative evidence from a significant sample of residents, businesses and communities on key topics and issues. This evidence base would confirm what local people and visitors to Birkenhead think of the town and how its offer could be improved. It is proposed to review the methodologies used in previous surveys so where possible 2019 comparisons can be drawn to illustrate trends and shifting perceptions.

4.2 Generate Awareness, Excitement and Support: Host a range of events and activities across Birkenhead to understand the ambitions and aspirations of local people for Birkenhead. Capitalising on events already planned, such as the Borough of Culture schedule and other activities, this work would enhance and build upon the outreach already undertaken by ‘*Wirral Well Made*’ engagement programmes to generate awareness, excitement and support for the regeneration and transformation of Birkenhead Town Centre. In addition to engaging local residents and visitors, there also needs to be bespoke engagement with other key stakeholders including politicians, investors, developer/construction organisations and opinion leaders.

To support these two objectives a detailed advertising and media strategy would be required, using online and offline channels, *WirralWellMade* and other digital properties, Merseytravel and other OOH opportunities and through local media and business/trade titles to communicate and promote the Consultation, Outreach and Engagement events and programmes.

To ensure the Consultation, Outreach and Engagement is open and encourages meaningful exchanges of opinions, it is suggested early work is themed and framed by key issues already identified via previous consultation, including:

- **Public Realm** - Quality, Identity and Place
- **Resident/Visitor Experience** - Safety and Security, Access, Amenities
- **Traffic and Transport Options** - Bus, Taxi, Train, Cycling, Car Parking, Servicing, Loading and Kerbside Activity
- **Economy and Employment** – Job Creation, Training, Protecting Retail and Commercial Employment Numbers
- **Mix of Use** - Residential, Retail, Commercial, Industrial, Leisure and Evening Economy
- **Culture** - Youth, Art, Leisure, Play
- **Sustainability** - Landscape, Trees, Green Space, Air Quality, Waste and Ecology
- **Management and Enforcement** – Litter, Waste Management, Trader’s Associations, Community Patrols, Policing

5. Time Frame/Next Steps

If agreed by Cabinet, the Consultation, Outreach and Engagement programme could be commissioned during December and a detailed plan and timeline be in place for commencement of resident survey, briefings and outreach, events and activities, media and advertising in early 2019. This time frame would see significant Consultation, Outreach and Engagement occur during February, March and April with findings and results available in late April and May.

6. Support for Wirral Plan

It is anticipated the Consultation, Outreach and Engagement final reports would play a critical role in shaping a range of programmes being instigated or supported by Wirral Council, Wirral Growth Company or The Wirral Partnership and would contribute towards the key 2020 Pledges:

- Greater Job Opportunities
- Increase Inward Investment
- Thriving Small Businesses
- Vibrant Tourism Economy
- Assets and Buildings Fit for Purpose
- Wirral Neighbourhoods are Safe
- Community Services are Joined Up and Accessible
- Transport and Technology Infrastructure
- Attractive Local Environment

06.11.2018



**COUNCILLOR PHILLIP
BRIGHTMORE**

CABINET
26 NOVEMBER 2018

LEISURE AND CULTURAL SERVICES –
FUTURE PROVISION OF FLORAL
PAVILION THEATRE AND CONFERENCE
CENTRE

Councillor Phillip Brightmore, Cabinet Member – Leisure and Recreation said:

“The Floral Pavilion is a fabulous facility, which brings enjoyment and no small measure of pride to thousands of residents throughout the borough. The theatre is approaching its 10th anniversary and has gone from strength to strength since being unveiled as the centrepiece of the Council-led regeneration of New Brighton.

“The time has come for the Floral Pavilion to take the next stage on its development. We want this theatre to continue to grow, to attract bigger and better shows and become a visitor destination for the entire region. To get there, we believe we need an expert theatre organisation to take over the business.

“We want the Floral Pavilion to thrive. We want it to remain a place where residents can come together, a stunning waterfront facility which every Wirral resident can be proud of. We believe under the leadership of a specialised theatre company, the Floral Pavilion can look forward to its next ten years with huge confidence.

“The Floral Pavilion would remain in public ownership, but become part of a specialised theatre chain – saving Wirral residents money, which can then be reinvested into services, and ensuring the products, services and shows on offer at the Floral improve.”

REPORT SUMMARY

Wirral Council provides extensive leisure, recreation, cultural, open space and library services. The cost to the Council of delivering these services is £17 million, when income from external funding is taken into account. The Council faces significant

budget savings due to the removal of the revenue support grant and needs to review how services can be delivered effectively whilst reducing costs, especially for discretionary services.

Over the past year the Council has undertaken a detailed review of Leisure and Cultural services to try and find ways of transforming these services to make them more sustainable, flexible and appropriate. The Council does not wish to be in a situation where it needs to consider closing or reducing services in order to balance the budget. The Council's preference is for a model which allows for discretionary services to generate their own funds so they can grow. There is no legal requirement for the Council to provide a theatre service either directly or indirectly.

The Floral Pavilion currently costs the Council £899,300 per year to keep open. As a mid-scale (800 seat) receiving theatre the Floral Pavilion is limited as to the performances it may attract, the percentage of ticket sales it may retain and the income it may generate. While the Council can and will continue to develop new commercial opportunities within the facility – extended bar opening and maximising secondary spend, reviewing programming, developing marketing campaigns to attract new conference and wedding business among others; it is not thought the Council can get the subsidy to '£0' within the medium term using the current business model. Cuts to the subsidy, without change, could result in the partial closure of facilities.

The current service model for this service is therefore financially unsustainable. This issue requires a solution which will:

- Reduce the level of financial support required by the Floral Pavilion from the Council.
- Ensure that the Floral Pavilion continues to operate and deliver cultural, social and economic outcomes for the people of Wirral.

A number of options have been considered for the future delivery of the Theatre. The recommended option is to transfer the operation of the Floral Pavilion as a going concern on a long lease to a suitable alternative provider, but importantly retaining the freehold. This proposal, if pursued, will see the Council retain ownership of the Floral Pavilion, but see its operations run by an expert organisation. This represents the greatest opportunity for long term savings while keeping the theatre open as an attraction in New Brighton and serving residents and visitors to the Wirral.

RECOMMENDATION/S

Cabinet is requested to:

Authorise the Corporate Director for Delivery Services to transfer the Floral Pavilion Theatre and Conference Centre at best consideration as a going concern on a long lease.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The 2017/18 Residents Survey asked residents what they felt was important to them in relation to the Floral Pavilion. Residents overwhelmingly wish the theatre to remain open and accessible to all. However, Residents were less concerned that the Floral Pavilion remains being directly managed by the Council or that income generated by the theatre is returned to the Council.
- 1.2 Three potential options (No Change, Commercial Management and Long Lease as a Going Concern) were considered by officers and Members as to how closely they meet the stated outcomes that the Council wishes to achieve for the Floral Pavilion. These were:
- The Floral Pavilion to remain a creative and community hub for residents, attracting a diverse range of business and customers through an exciting events programme.
 - To increase the revenue the Floral can contribute, reduce the Council's subsidy to keep it viable, provide job security to staff and retain it as an asset which Wirral residents can be proud of.
 - We want the Floral Pavilion to be a free-standing, commercial asset which covers its own costs and contributes to the cultural, leisure and artistic options available for Wirral residents to enjoy.
- 1.3 A specialist provider, such as a theatre chain or production company, brings with them a number of potential benefits. A theatre chain, that is in a position to book performers for a number of theatres, are in a better position than a single theatre to obtain a greater share of the income from tickets and book more well-known acts. A theatre chain also brings with it further economies of scale regarding marketing, corporate purchasing power, maximising ancillary sales and bring with them expertise in venue catering and conference centre management. A production company that provides its own performances would be in a position to retain the full value of the ticket price in order to cover its costs.
- 1.4 Research undertaken into the various options involved consulting with several commercial companies on a confidential basis to determine potential interest in a theatre and conference venue of this kind, and the basis (contractual and financial) on which each might consider taking on such an operation. During this research there was interest expressed from a commercial operator in the freehold purchase or long lease of the theatre. It is expected that the number of interested parties would increase once the Floral Pavilion is appropriately advertised.
- 1.5 This option would remove the Council from being responsible for the Floral Pavilion but retain the facility as a theatre and conference venue supporting the redeveloped New Brighton as a visitor destination. A restrictive covenant would be put in place to ensure that the theatre could only be used as a theatre and conference venue, ensuring that the theatre continues to operate and importantly the Council would retain the freehold.

- 1.6 The benefit to the Council is that it will be able to achieve a nil subsidy once the long lease transfer is complete. The savings from the transfer of the Floral Pavilion is expected to be an annual revenue saving of £550,000 (current net expenditure less fixed support costs and capital charges). There is also the potential of 'one off' receipt from the payments of the lease, subject to any grant clawback which the Council may be liable for.
- 1.7 In summary the recommended option is to offer a long lease as a going concern and by doing so transfer the Floral Pavilion to a suitable alternative provider. This expected to bring the following benefits:
- The Floral Pavilion will continue to develop new commercial options within the facility, maximising the value of contracts and of secondary spend, new programming and marketing campaigns to attract new customers and conference and wedding business among others.
 - As a medium size (800 seats) theatre there are limitations to how far it can develop, but with a larger more experienced specialist theatre operator it would benefit from economies of scale not available to a sole operator.
 - Transferring the Floral to a theatre company / chain brings advantages through their ability to book well known and high quality shows and performers.
 - As specialist theatre providers potential bidders bring with them access to economies of scale and additional expertise in this area.
 - The Floral is retained as a theatre, benefiting New Brighton and the wider cultural economy through a restrictive covenant not to be used for anything other than a conference and theatre venue. The freehold of the theatre would remain with the Council.
 - Revenue saving to the Council of £550,000 per annum (current net expenditure less fixed support costs and capital charges).
 - There would be a potential 'one off' receipt from the payment of the lease, subject to any grant clawback which the Council may be liable for, which could be used for further regeneration or reinvestment.

2.0 OTHER OPTIONS CONSIDERED

2.1 No Change

- 2.1.1 The Floral Pavilion continues to operate as a part of the Council. Over the past two years every area of secondary spend has been examined to maximise income including reviewing systems to ensure they are aligned to operational effectiveness, pricing structures, staff structures, marketing and market development. Examples of the approach are taking a more assertive commercial stance over specific one off events or in terms of running the base operation such as the bar. This has paid dividends, but the size of the theatre and Council structures has limited this approach. The ability to make decisions quickly to benefits from opportunities as they arise is required in order to develop significant income.

2.1.2 The theatre management project the requirement for a subsidy through these measures to fall from £961,500 in 2017/18 to £771,506 by 2020/21, from a mixture of improvement strategies for earned income and cost reductions.

2.1.3 It is not thought that a '£0' subsidy would be achieved within the medium term.

2.2 Commercial management

2.2.1 The most common models for commercial operation of local authority owned theatres involve an agreement of 10 years or longer for a management company to run a theatre on behalf of the Council. Since every theatre operation, and the service expected of an operating management, is unique, there are no standard contractual and financial arrangements. These can only be determined through a process of market testing and negotiation. Concession contracts, of up to 5 year's duration, reduce the likelihood of a commercial operator being interested in taking on the concession.

2.2.2 Depending on the scale of the operation, including the seating capacity and ancillary facilities, the financial arrangement offered by a commercial operator can range from the local authority paying a substantial management fee, through to a revenue neutral arrangement or the commercial management company making a rental payment. In the case of a theatre of the scale of the Floral Pavilion, an agreement is most likely to require a local authority management fee.

2.2.3 The subsidy would be likely to reduce to £750,000 per year from its current level once an agreement is reached. This means that this option has the potential to realise a reduction in subsidy more quickly than under the 'In House' option. A £0 subsidy would not be achieved from this option.

3.0 BACKGROUND INFORMATION

3.1 In the UK, there are broadly two types of theatre:

- those that create their own productions (producing theatres) and
- those that stage productions and performances created and toured by others (receiving theatres).

In practice, some theatres combine these two approaches and most theatres also include a range of other activities, some generating additional income (e.g. ancillary trading activities, conferences and events) and some offering additional community engagement opportunities (e.g. education programmes, participatory activities).

3.2 For several decades there has been a shortage of drama and lyric (opera, musicals, dance) productions of quality, particularly for mid-scale theatres (under 1,000 seats). Costs have soared, regulations have proliferated, and subsidy has been cut. Receiving theatres have become mixed programme venues, relying increasingly on one-night stands of a wide range of music and entertainment, rather than longer runs of a single title.

- 3.3 The Floral Pavilion comprises an 800+ seat theatre, a foyer plaza, bar, and four areas for general hire. Reopening in December 2008 after a complete rebuild as part of the £60m Neptune Project, it replaced earlier buildings on the same site dating back to 1913.
- 3.4 The Floral Pavilion is essentially a mid-scale receiving theatre, reliant on work created elsewhere and offered through a range of commercial and subsidised production companies. This nationally toured work is complemented by locally generated amateur and community performances. The Floral Pavilion's facilities also offer opportunities for ancillary income generation (i.e. trading income additional to sale of tickets for performances) and community participation activities.
- 3.5 Since opening in December 2008 the Floral Pavilion has received a subsidy from the Council in order to cover its operating costs. The Floral Pavilion currently costs the Council £899,300 per year to keep open
- 3.6 The Council is facing unprecedented economic pressures which mean that it is being asked to deliver the same or better services within a reducing financial envelope. This can only be achieved by reviewing the way that we deliver services and by focussing our limited resources on its key priorities, statutory services and the things that really make a difference.
- 3.7 There is no legal requirement for the Council to provide a theatre service either directly or indirectly. Given the current financial pressures, other Councils are ceasing to directly provide theatres and have sought other ways for the service to be provided either through a long lease or management contract. At a time of reduced financial support, the Council needs to review its discretionary services and seek to reduce its expenditure on non-essential services.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The long lease of the Floral Pavilion as a going concern would create revenue savings, as the Council would no longer be responsible for the running of the theatre and a 'one off' receipt arising from the long lease being paid up front. It would also avoid any capital costs arising from the refurbishment of the theatre as it approaches its 10th year of operation.
- 4.2 The savings from the transfer of the Floral Pavilion is expected to be an annual revenue saving of £550,000 (current net expenditure less fixed support costs and capital charges). In addition, following a valuation undertaken by Lambert Smith Hampton, there is the expectation that a one off receipt will also be achieved.

5.0 LEGAL IMPLICATIONS

- 5.1 The intention is to transfer the Floral Pavilion Theatre and Conference Centre as a going concern on a long lease. A restrictive covenant will be placed on the use of the Floral Pavilion for it only to be used as a Theatre and

Conference Venue. In this way the intention is to safeguard the future development of the site and ensure that the Theatre continues to operate. It should be noted that, restrictive covenants on use have the potential to be challenged after a period of 40 years.

- 5.2 Existing contracts for performances will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.3 Existing service contracts, for instance the catering concession, will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.4 Contracts and licences in relation to IT Equipment and Licences will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.5 As the proposal includes land the Council must obtain the best price reasonably obtainable. The transfer of the business would require for it to be appropriately advertised.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 ICT

- 6.1.1 The Floral Pavilion currently uses a mixture of IT Systems. The new provider would need to replace these systems with their own systems; however this will need careful preparation and planning, embedded into a mobilisation and on boarding schedule to ensure that the service continues without interruption. Issues regarding data transfer from these systems to the new provider will also need to be considered in line with GDPR.

6.2 Staffing

- 6.2.1 The staff currently working at the Floral Pavilion would be TUPE transferred to the new operator on existing terms and conditions. The Council has identified employees whose roles and duties are wholly or at least 50% assigned to the work that is transferring based on job titles, job description and nature of work undertaken. There are currently 38 FTE staff working in the Floral, including a pool of casual staff that supports the service as and when required.
- 6.2.2 A mobilisation and on boarding plan will be developed to ensure the transfer goes as planned with minimal disruption to the business, its customers and employees.
- 6.2.3 A Pensions Actuarial Assessment will need to be undertaken to ensure that the new provider is aware of their pension liability.
- 6.2.4 Wirral Council is committed to following Best Value practice which requires that new transferees become an admission body of the LGPS or offer a

broadly comparable scheme certified by the Government Actuaries Department (GAD).

6.2.5 Existing staff who contribute to the Local Government Pension Scheme (LGPS) will experience no change as the new operator will become a participant in this scheme.

6.2.6 Any employees that are not currently a member of the LGPS pension scheme will retain the right to join the LGPS scheme post transfer.

6.3 Assets

6.3.1 While the intention is to transfer the Floral Pavilion to an alternative provider on a long lease the Council would seek to work in partnership with the new provider to promote the culture and visitor economy. This has the potential to be a mutually beneficial arrangement allowing the Floral to remain a centre piece attraction in New Brighton as a part of a wider annual events programme. The Council is already well placed to develop these arrangements given the success of the 'Tall Ships' and 'Giants Spectacular' partnership arrangements.

7.0 RELEVANT RISKS

7.1 All risks associated with this proposal will be identified and managed in line with the Corporate Risk Management Procedure as part of the project delivery process. Below is a summary of some of the key risks identified and how they will be managed.

Risk	Mitigating Action
A potential operator may not make an offer that is financially sufficient	Understand what is required from a potential operator Ensure that we carry out a thorough tender process
In the reported small market there may not be any interest	Appropriately advertise amongst potential providers
The Council may lose control of future use under transfer.	Agree the restrictions over the future use of the building. Freehold retained by the Council.
Insufficient capacity within the internal team to support projects (e.g. HR to progress TUPE, Legal to advise and develop route to contract award, etc.) may cause delay or limit the benefits of the projects	Identify and communicate resource requirements work stream leads and check that the correct level of expertise is available to produce the products. Identify areas that do not have internal expertise available to produce products and develop case for allocation of project funds for the external resource

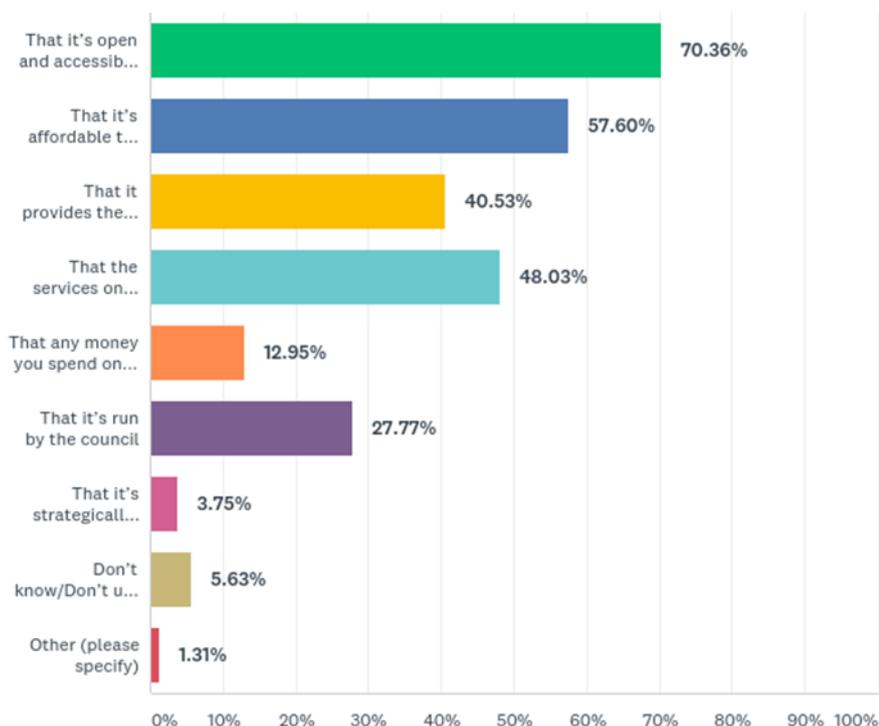
8.0 ENGAGEMENT/CONSULTATION

8.1 The 2017/18 Residents Survey asked residents what they felt was important to them in relation to the Floral Pavilion. The results are provided below.

Answer Choices	Responses
That it's open and accessible to all as a community asset	70.36% 375
That it's affordable to use	57.60% 307
That it provides the services/products that you want to use	40.53% 216
That the services on offer are of good quality	48.03% 256
That any money you spend on the service goes back into the council	12.95% 69
That it's run by the council	27.77% 148
That it's strategically managed by democratically elected members	3.75% 20
Don't know/Don't use this service	5.63% 30
Other (please specify)	1.31% 7
Total Respondents: 533	

Residents value the Floral Pavilion and overwhelmingly wish this to remain open and accessible to all, that it remains affordable to use and provide services that are of a good quality.

Residents were less concerned that the Floral Pavilion remains being directly managed by the Council or that income generated by the Theatre is returned to the Council.



Given these clear responses from residents, the discretionary nature of the service being provided and the levels of subsidy involved in maintaining the Floral Pavilion it is clear that other options for the future delivery of the Floral Pavilion need to be considered.

- 8.2 As a part of delivering these proposals consultation will be required with staff, volunteer groups, key stakeholders and Trade Unions. A comprehensive communication plan will be developed as part of the project planning process.
- 8.3 Trade Unions have been consulted on this proposal and regular meetings have been scheduled with them.
- 8.4 This proposal will also be a part of the Budget consultation process.

9.0 EQUALITY IMPLICATIONS

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

- (a) Yes and impact review is attached – refer hyperlink:

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

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APPENDICES

REFERENCE MATERIAL

Re-imagining Leisure and Cultural Services – Phase 1 Report (Bates Wells Braithwaite) – March 2017

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: 'Outline Transformation Approach'	21 March 2016
Cabinet: 'Leisure and Cultural Services – future provision of Leisure, Parks, Libraries and Cultural Services'	27 March 2017
Environment Overview and Scrutiny Committee – Call In	19 June 2017



**COUNCILLOR PHILIP
BRIGHTMORE**

CABINET
26 NOVEMBER 2018

**LEISURE AND CULTURAL SERVICES –
FUTURE PROVISION OF GOLF COURSES**

Councillor Phillip Brightmore, Cabinet Member – Leisure and Recreation said:

“Wirral is famous for its golf courses. Host of the Open Championship as recently as 2014, our borough gives residents and visitors unrivalled choice and quality for the sport.

“We know our residents are proud of that, and we know they recognise the health and wellbeing benefits of this unique sport. That’s why we have maintained such a wide variety of golf options for so long, and why we do all we can to encourage people to be more active.

“We believe we can do a better job. We believe running golf courses is not necessarily a job the council is right for, and we know there are specialist golf companies throughout the country who could provide a better service for our residents. Should this proposal be accepted by the Cabinet, then that is what we will look for.

“We will not sell the courses. We will keep them in public ownership. Instead, we will look for an expert to come in and improve our golf courses. We will make them more efficient, better managed and higher quality.”

REPORT SUMMARY

Wirral Council provides extensive leisure, recreation, cultural, open space and library services. The cost to the Council of delivering these services is £17 million, when income from external funding is taken into account. The Council faces significant budget savings and needs to review how services can be delivered effectively whilst reducing costs, especially for discretionary services.

Over the past year the Council has undertaken a detailed review of Leisure and Cultural services to try and find ways of transforming these services to make them more

sustainable, flexible and appropriate. The Council does not wish to be in a situation where it needs to consider closing or reducing services in order to balance the budget.

The Council runs three 18 hole golf courses, one 9 nine hole golf course and two 'fun courses' (pitch & putt and Crazy Golf). The operational revenue cost of municipal golf in Wirral in the financial year (2018/19) is £255k (£430k if the current overspend is included). A number of reviews of Council golf provision have been undertaken in previous years which have identified the requirement for significant capital investment in courses in order that they remain playable. The current service model for this service is therefore financially unsustainable.

While the Council is working with Celtic Manor on developing options for the Hoylake Municipal Golf Course there are also opportunities to seek alternative providers for the remainder of the Council's golf courses. A number of options for the future delivery of the golf courses have been considered.

This report recommends the transfer of Arrowe Park and The Warren Municipal Golf Courses to an alternative specialist golf provider on a long lease, while the Council retains the freehold ownership. This represents the most appropriate opportunity for savings in the long term while keeping the courses open for the benefit of residents and visitors to Wirral.

There is no legal requirement for the Council to provide a golf service either directly or indirectly. At a time of reduced financial support, the Council needs to review its discretionary services and seek to reduce its expenditure on none essential services.

RECOMMENDATION/S

Cabinet is requested to:

- (1) Note the recommended option to offer the operation and management of golf courses on a long lease to a suitable alternative provider.
 - (2) Agree that statutory consultation, in accordance with Section 123 (2A) of the Local Government Act 1972, in relation to the Golf Courses be commenced;
- and
- (3) Results of the statutory consultation be reported to Cabinet for a final decision.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 In line with the 2020 Pledges including Leisure and Cultural opportunities for all, the future vision for municipal golf in Wirral, is to have facilities that are accessible and “fit for purpose”, to encourage more people to play and take part in golf and become healthier in the process.
- 1.2 Golf facilities are an important component of the excellent provision of leisure and cultural facilities in the Wirral. They provide affordable opportunities for a diverse range of people of all ages to participate in golf and to benefit from healthy physical activity.
- 1.3 As with many other publicly operated sports facilities, there are a number of issues facing councils in the current financial climate including the need for continued capital investment in facilities and meeting lifecycle costs.
- 1.4 The Council is committed to continue to offer excellent opportunities for local people and visitors to benefit from participation in golf; but it is faced with extremely challenging financial constraints.
- 1.5 The Golf Service is a discretionary service the Council does not have to provide. The current subsidy for all municipal golf courses is £255k (£430k if the current overspend is included) and with the national trend in golf usage being generally down, (not just for municipal golf courses but also for the majority of private golf clubs) it is envisaged that this current level of council subsidy will not reduce significantly under current arrangements.
- 1.6 There are a number of specialist golf providers who have track records in delivering successful golf courses through their single focus on the golf offer and investment. These providers have, through a soft market test undertaken in January 2018, expressed an interest in operating, investing and maintaining Wirral golf courses. However to do this they require a long lease in order to raise the investment necessary for the courses. The freehold of the courses would be retained by the Council.
- 1.7 Successfully transferring Wirral golf courses to an alternative provider would remove the requirement for the Council subsidy, raise income from the lease rentals and remove the requirement for capital investment by the council. Restrictive covenants would be placed on the golf courses that they only be used as golf courses and that they are used to provide ‘pay and play’ golf, ensuring the courses remain open and accessible to all. Staff from the effected courses would be TUPE transferred to the new provider.
- 1.8 The expected benefit to the Council is that it is able to achieve a nil subsidy on the courses transferred and received income from the new provider. The net gain to the council is estimated to be of at least £110,000 but potentially as much as £214,000.
- 1.9 It is not proposed to transfer Brackenwood Municipal Golf Course, at this time, due to its inclusion in the Open Space Review. However once the Open Space Review is concluded the intention is that this golf course also be transferred to an

alternative provider. The two 'fun courses' (pitch and putt / crazy golf) Kings Parade and Wallasey Beach would not be transferred as there is limited interest in these courses from specialist golf providers and the council believes that these may be developed in order to generate additional income without significant investment.

2.0 OTHER OPTIONS CONSIDERED

2.1 No Change

2.1.1 An alternative option is to retain golf courses 'in house.' Whilst the courses have been managed in house in the past few years and have recently undergone a major staffing restructure (Jan 2017), the financial pressures the Council is currently under would mean that significant cuts would have to be made to the service provision. This option was not acceptable to the Council.

2.1.2 If the Council continued to operate golf courses it would remain responsible for any future capital expenditure required to maintain them in 'general/average' municipal playing conditions and to provide capital monies for future commercial developments at the sites. The council would need to borrow a significant amount of capital in order to bring the courses up to a reasonable course standard and maintain the existing customer base. Given the increased competition from private golf courses it is by no means certain that the council would recover the investment it makes and increase income as a result of the investment.

2.2 Course Closure

2.2.1 The courses could be closed and returned to parkland. While this would reduce the maintenance and operating costs of the golf courses it would close a much valued leisure opportunity to residents. The closure of courses would also lead to staff reductions, possibly through compulsory redundancy, which is not acceptable to the Council. In addition the income currently generated from the golf courses would be lost.

2.2.2 There would be further costs for parks and countryside to maintain these courses as parkland. Given that the council currently maintains in excess of 240 separate areas of land across the borough and given that resources have been reduced substantially over the last few years this is not a desirable situation

2.3 Golf Concession Contract

2.3.1 The Council has previously explored contracting out the golf service to a specialist provider. Seeking a provider that would run the golf courses at a nil subsidy to the council on the basis that the provider retains any profit it makes from the courses.

2.3.2 This option was explored in 2014 and most recently in January 2018 through a soft market test. While there were a number of providers who expressed an interest in the running and operation of the courses most required a long lease to do so. This was far in excess of the length of contract the Council could offer under current regulations and as such, this option is not currently possible.

3.0 BACKGROUND INFORMATION

- 3.1 Wirral benefits currently from 19 private and public golf facilities in Wirral, made up of a number of 18 hole and 9 hole courses, pitch and putt facilities, and a driving range. This level of provision represents significant competition in the golf market locally. The Council runs three 18 hole golf courses, one 9 hole golf course and two 'fun courses' (pitch & putt and Crazy Golf).
- 3.2 Participation in municipal golf in Wirral is in decline and follows a national trend in that people tend to have less disposable leisure time to spend on playing a five or six hour round of golf. Those people that would have traditionally played golf in the past have migrated to a more 'time determined' sport (such as cycling, running, fitness) to fulfil their leisure time demands. Some smaller private member golf clubs are suffering from the same problem and it is noticeable how some 'community' based golf clubs have responded to this problem by reducing membership/joining fees and offering 'pay and play' packages which compete favourably with our existing municipal fees and charges
- 3.3 A number of reviews of Council golf provision have been undertaken in previous years. These have led to a staffing restructure, completed in February 2017, of the front of house golf service at all municipal golf courses. This was one of the main recommendations within the golf consultant's (Mark Smith Ltd) report issued in October 2015 in trying to reflect a modern day, fit for purpose golf service. This involved deleting a number of roles and developing a more generic flexible staffing structure that enables collection of fees from not only the point of sale but also out on the course. In addition this was designed to deflect criticism that the Council was not security conscious and that too many golfers are 'bunking' on the course without paying.
- 3.4 Leisure Services have been working with colleagues in 'Parks and Countryside' to develop a more business style 'client/contractor' relationship. A more structured SLA with bespoke work programmes is being developed to reflect this new arrangement which will also enable us to respond to golfers/customers comments/complaints regarding the course in a more timely fashion. Booking procedures have recently reviewed at each of the municipal courses resulting in more accessible tee times for the public at peak times.
- 3.5 An agronomist's report was commissioned (completed by STRI – April 2017) on the current state and condition of each of the municipal courses and to provide a work programme of required maintenance to rectify any remedial issues. Also commissioned was a condition survey for Arrowe Park and Brackenwood municipal courses to identify capital works required over the short, medium and longer term to keep the courses in a 'general' municipal playing condition. Both of these reports have identified the need for very significant capital expenditure on maintaining the courses.
- 3.6 The Council has previously sought to contract out the golf service. In 2014 as part of a joint approach with Cheshire West and Chester Council and most recently in January 2018 the Council carried out a soft market test to identify the level of interest from specialist golf providers in a concession contract. While a number of providers expressed an interest in operating, investing and maintaining Wirral golf

courses this was on the basis that they are provided with a long lease, something which under concession contract regulations is not possible.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The operational revenue cost of municipal golf in Wirral in the financial year (2018/19) is £255k. The anticipated out-turn for this year is estimated to exceed this budget by about £175k, (making the total operational cost £430k).
- 4.2 The expected benefit to the Council is that it is able to achieve a nil subsidy on the courses transferred and received income from the new provider. The net gain to the council is estimated to be of at least £110,000 but potentially as much as £214,000.

5.0 LEGAL IMPLICATIONS

- 5.1 In order to consider the transfer of public open space the Council is required to advertise its intentions in accordance with Section 123 (2A) of the Local Government Act 1972 in order that members may consider any relevant objections prior to making any decision as to its future.
- 5.2 As the proposal includes land the Council must achieve the best price reasonably obtainable. The transfer of the business would require for it to be appropriately marketed.
- 5.3 Should this proposal proceed the intention is to offer Wirral Golf Courses on a long lease to an alternative provider. A restrictive covenant will be placed on the use of the golf courses that they may only be used as golf courses and that the courses provide 'pay and play' provision. In this way the intention is to safeguard the future development of the golf courses and ensure that they continue to operate. It should be noted that, restrictive covenants on use have the potential to be challenged after a period of 40 years.
- 5.4 Existing service contracts and leases will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.
- 5.5 Contracts and licences in relation to IT Equipment and Licences will need to be checked to ensure that they may be transferred to the new provider to avoid a break in service or any breach of contract.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

It is assumed that existing resources will be in place to support the Communications and Engagement, HR, Contract Management, Project Management, Legal and Financial aspects of such a programme of work.

6.1 ICT

- 6.1.1 Golf Courses currently uses a mixture of IT Systems provided by the Council. The new provider would need to replace these systems with their own systems; however this will need careful preparation and planning, embedded into a mobilisation and on boarding schedule to ensure that the service continues without interruption.

Issues regarding data transfer from these systems to the new provider will also need to be considered in line with GDPR.

6.2 Staffing

- 6.2.1 The staff currently working on Wirral golf courses would be TUPE transferred to the new operator on existing terms and conditions. The Council has identified employees whose roles and duties are wholly or at least 50% assigned to the work that is transferring based on job titles, job description and nature of work undertaken.
- 6.2.2 The staffing complement for Arrowe Park and The Warren golf courses comprise 3.44 FTE Golf Advisors and 6 FTE Grounds Maintenance staff; a total of 9.44 FTE.

These are provided to each course on the following basis:-

Course	Staff Type		Total
	Golf Advisor	Grounds Maintenance	
Arrowe Park	1.72 FTE	3.5 FTE	5.22 FTE
Warren	1.72 FTE	2.5 FTE	4.22 FTE
Total	3.44 FTE	6.0 FTE	9.44 FTE

- 6.2.3 A mobilisation and on boarding plan will be developed to ensure the transfer goes as planned with minimal disruption to the business, its customers and employees.
- 6.2.4 A Pensions Actuarial Assessment will need to be undertaken to ensure that the new provider is aware of their pension liability.
- 6.2.5 Wirral Council is committed to following Best Value practice which requires that new transferees become an admission body of the LGPS or offer a broadly comparable scheme certified by the Government Actuaries Department (GAD).
- 6.2.6 Existing staff who contribute to the Local Government Pension Scheme (LGPS) will experience no change as the new operator will become a participant in this scheme.
- 6.2.7 Any employees that are not currently a member of the LGPS pension scheme will retain the right to join the LGPS scheme post transfer.

6.3 Assets

- 6.3.1 The courses would be transferred to the new provider on a long lease arrangement. The freehold would be retained by the Council.
- 6.3.2 Existing lease arrangements by Golf Clubs and concession holders will be transferred to the new provider.

7.0 RELEVANT RISKS

- 7.1 All risks associated with this proposal will be identified and managed in line with the Corporate Risk Management Procedure as part of the project delivery process. Below is a summary of some of the key risks identified and how they will be managed.

Risk	Mitigating Action
If there is insufficient capacity within the sector to take on golf courses resulting in the option becoming unfeasible.	Research the appetite amongst potential providers Soft Market Test identified market interest and their requirements
The Council may lose control of future use of courses under a long lease transfer.	Agree the restrictions over the future use of golf courses as a part of the lease arrangement. Council retains the freehold
Unexpected events and delays in the project timeframe cause project overrun and impact on the ability to complete process within providers business timescale requirements	Ensure early timeline mapping of the procurement process to ensure timeline is known and realistic
Insufficient capacity within the internal team to support projects (e.g. HR to progress TUPE, Legal to advise and develop route to contract award, etc.) may cause delay or limit the benefits of the projects	Identify and communicate resource requirements work stream leads and check that the correct level of expertise is available to produce the products. Identify areas that do not have internal expertise available to produce products and develop case for allocation of project funds for the external resource

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Pre decision consultation will be undertaken in order to identify any relevant objections to this proposal prior to a decision from Cabinet.
- 8.2 There will be consultation requirements associated with the project for staff, Trade Unions, Invigor8 members and stakeholders. A comprehensive communication plan will be developed as part of the project planning process.
- 8.3 Trade Unions have been consulted on this proposal and regular meetings have been scheduled with them.
- 8.4 This proposal will also be a part of the Budget consultation process.

9.0 EQUALITY IMPLICATIONS

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

- (a) Yes and impact review is attached – refer hyperlink:

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/delivery>

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APPENDICES

REFERENCE MATERIAL

Re-imagining Leisure and Cultural Services – Phase 1 Report (Bates Wells Braithwaite) – March 2017

Exempt Item – Golf Soft Market Test Results (January 2018)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: 'Outline Transformation Approach'	21 March 2016
Cabinet: 'Leisure and Cultural Services – future provision of Leisure, Parks, Libraries and Cultural Services'	27 March 2017
Environment Overview and Scrutiny Committee – Call In	19 June 2017

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CLLR JANETTE WILLIAMSON

CABINET

26 NOVEMBER 2018

REVENUE MONITORING 2018/19

QUARTER 2 (TO SEPTEMBER

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 2 we are feeling the extent of our reduced funding with pressures already mounting in some areas as demand continues to rise. This is early and while cautious it is prudent to ensure we forecast a realistic representation, I am confident 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 2 (30 September 2018).

The forecast outturn position as at the end of Quarter 2 is a potential overspend of £0.907m. 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

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

RECOMMENDATIONS

- 1 The Quarter 2 forecast to the year-end of a £0.907m overspend which incorporates a number of adverse variances across the range of directorates, 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.
- 3 The change to the bottom line net budget in point 3.2.2 is noted and referred to Council for approval.

SUPPORTING INFORMATION

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.

3.1 BACKGROUND INFORMATION

3.2 CHANGES TO THE AGREED BUDGET

- 3.2.1 The 2018/19 Budget was agreed by Council on 5 March 2018. In quarter one the budget was broken down by portfolio for monitoring purposes. This was due to the Council's new directorate structure not being implemented until June 2018. For quarter two the new directorate structure has been used to present the budget and the forecast information.

- 3.2.2 There has been a change relating to the bottom line of the budget that requires approval at quarter two. This is:

Original Budget : £300.520 million

Change requesting approval at Quarter 2:

- Capital Receipts funding for Childrens Services transformation program brought forward from 2017/18 £1,100,000

Table 1: 2018/19 Net Budget by Directorate

	£000
Economic & Housing Growth	25,012
Business Management	10,953
Strategy & Partnerships	18,273
Delivery Services	65,555
Childrens Services	88,162
Adult Care & Health	93,667
Total Net Budget	301,622

3.3 PROJECTIONS AND KEY ISSUES

3.3.1 The projected Outturn position as at the end of September 2018 and Directorate updates are detailed in the following sections.

Table 2: 2018/19 Projected Forecast Outturn

Directorates	Revised Budget	Forecast Outturn	Variance £000	Variance %	Q1 Forecast Variance
Economic & Housing Growth	25,012	25,187	(175)	(0.7)	0
Business Management	10,953	10,953	0	0	88
Strategy & Partnerships	18,273	18,273	0	0	0
Delivery Services	65,555	66,287	(732)	(1.1)	(705)
Childrens Services	88,162	88,162	0	0	0
Adult Care & Health	93,667	93,667	0	0	0
TOTAL	301,622	302,529	(907)	(0.3)	(617)

3.4 DIRECTORATE UPDATES

3.4.1 Economic & Housing Growth – Overspend of £0.175 Million

- Forecasts for the Economic and Housing Growth directorate indicate a budget pressure of £0.175m in 2018/19. Local Plan costs form part of this pressure although the total costs have been partly mitigated by use of the local plan reserve and in-year vacancy savings.
- Legal costs relating to Wirral Waters One development have presented a budget pressure which has been mitigated by in year vacancy savings and a reduction in culture event costs.

3.4.2 Business Management – Balanced

- Governance & Assurance is managing a financial pressure of £0.265m in the Coroners Service. This is a result of shared service arrangements with Liverpool Council being higher than anticipated when the arrangement was first put in place and as a result of increases in the SLA with NHS.
- Customer Services is controlling a forecast overspend of £0.3m due to Summons income being less than planned. This is due to a reduced number of people not paying so less people paying Summons costs. Current forecasting indicates that employees will underspend due to vacancies and this will mitigate the financial pressure for the current year.

3.4.3 Delivery Services– Overspend of £0.732 Million

- Waste & Environment faces budget pressures of £0.730m in 2018/19. Previously identified budget savings options that have not materialised account for £0.600m, this includes £0.4m budget saving relating to waste contract efficiencies that could not be found from the contracts and £0.2m of garden waste additional customers saving that has failed to acquire the numbers needed.
- There is an anticipated pressure of £0.357m relating to community services. This is predominantly due to previously identified savings of £0.4m within Sport and Recreation which will not be realised in 2018/19 due to issues in the implementation of projects including a flexible work programme at Woodchurch and new football pitches at Leasowe. Members took the decision to cancel the £0.2m approved budget savings option for more

flexible ways of working at Woodchurch Leisure Centre. Works on new football pitches at Leasowe have been delayed mainly due to drainage issues at the site which have now been resolved. The project works are about to go out to tender and are expected to be completed in this financial year.

- These pressures are being mitigated from one off sources including the results from the Sporting Activities VAT exemption being higher than initially expected by £0.6m. This relates to interest on VAT back payment and the fees to PWC being less than anticipated.

3.4.4 Childrens Services – 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.
- There are pressures on the Grant funded schools' budget resulting from increasing number of Special Education Needs (SEN) assessments and complexity of the children's needs, reflecting national trends. These will be mitigated by a contribution from the Dedicated Schools Grant (DSG) reserve in 2018-19, but pressures will continue in 2019-20. External consultants have been commissioned to conduct an in-depth review of SEN provision during the 2018-19 academic year, with the aim of reallocating DSG resources to better meet need.

3.4.5 Adult Care & Health – Balanced

- Adult Care and Health are currently anticipating a demand pressure 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.
- Additional funding of £1.8m was announced by Government in October 2018 which is intended to help alleviate winter pressures on the NHS by getting patients home quicker and freeing up hospital beds across England. This resource is to be used to fund growth in domiciliary care based upon increased demand during 2018 and expected additional demand through the winter period.

3.5 IMPLEMENTATION OF SAVINGS

3.5.1 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 September 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 Q2	Mitigation	To be Delivered
Adult Care and Health	1	2,000	825	0	1,175
Children and Families	10	5,200	2,800	0	2,400
Environment	4	480	100	25	355
Finance and Resources	10	4,996	3,803	0	1,193
Highways and Transport	4	212	162	0	50
Housing and Planning	4	206	81	0	125
Law and Order	1	30	30	0	0
Leader of the Council	2	85	50	0	35
Total	36	13,209	7,851	25	5,333

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 2 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	March 2018
Cabinet - Revenue Monitoring 2018/19 Quarter 1	July 2018

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CLLR JANETTE WILLIAMSON

CABINET

26 NOVEMBER 2018

CAPITAL MONITORING 2018/19

QUARTER 2 (TO SEPTEMBER 2018)

Councillor Janette Williamson (Cabinet Member for Finance and Income Generation) 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 help improve services for local people”.

REPORT SUMMARY

This is an update on the progress of the Capital Programme 2018/19 at the end of September 2018. It recommends that Cabinet agree the 2018/19 Capital Programme of £60.9 million which takes account of re-profiling identified since June together with any additional funding requirements. Expenditure to date is £16.3 million.

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

RECOMMENDATIONS

- 1 To note the spend at Quarter 2 of £16.3 million.
- 2 To approve additional funding for the schemes referred to in paragraph 3.9.
- 3 To recommend that Council approves the revised Capital Programme of £60.9 million (Table 1) for 2018/19.

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

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 16 July 2018	86,391
Re-profiling	(26,869)
Additional requirements	2,989
Reduced requirements	(1,563)
Revised 2018/19 Programme	60,948

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

	Capital Strategy	June	September	Actual Spend Sept 2018
	£000	£000	£000	£000
Adult Care & Health	7,912	8,543	3,468	381
Business Management	4,990	3,729	5,489	777
Childrens Services	19,099	20,852	18,341	7,542
Delivery Services	25,775	34,280	22,724	7,435
Economic & Housing Growth	16,785	18,987	10,926	157
Total expenditure	74,561	86,391	60,948	16,292

Table 2: Significant Variations (> £0.5m) to the 2018/19 Programme identified since June

Scheme	£000
Adult Care & Health	
Learning disability extra care housing - re-profiling	(3,000)
Extra care housing - re-profiling	(1,345)
Community Intermediate Care - re-profiling	(500)
Business Management	
Digital corporate storage - re-profiling	(500)
Childrens Services	
Schools condition and modernisation - re-profiling	(543)
School remodelling/primary places - re-profiling	(1,642)
Delivery Services	
Bridges - re-profiling	(551)
Dock bridges – re-profiling	(552)
Transport for Growth - re-profiling	(515)
Street lighting column upgrade/replacement and LED replacement - re-profiling	(2,790)
West Kirby flood alleviation - re-profiling	(2,335)
Clearance - reduced requirement	(767)
Clearance - re-profiling	(350)
Housing infrastructure fund - re-profiling	(1,000)
Housing Zones Marginal Viability Fund - re-profiling	(979)
Economic & Housing Growth	
Investment in properties - re-profiling	(1,856)
Wirral Waters Investment Fund - re-profiling	(6,205)
Total	(25,430)

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 The remodelling and internal refit of Pensby Wood has been completed, providing significant benefit to service users.

3.4.2 Learning Disability extra care developers have requested funding but have never met the requirements for us to award it to them. Other developers have found their own funding. LD extra care could potentially be eligible for Transforming Care Programme Grant (NHS) and if this was to be the case could reduce the Council's overall borrowing requirement in 2019/20.

3.4.3 Regarding extra care housing there is a potential scheme with Onward Housing for £2.24 million. If approved the funding profile would need to be determined but it has been assumed that it will follow the practice of Homes England with 40% payable up front. This accounts for the majority of the re-profiling to 2019/20.

3.5 Business Management

3.5.1 Digital corporate storage - there are a number of solutions available with each of the main vendors, such as Dell EMC and Netapp offering various options. We are in the process of going to tender for an ICT strategic partner who will work with us to determine the best solution for the council and it is anticipated that initial expenditure will be committed around January.

3.5.2 Windows 10 rollout - the Digital team will be providing all staff with new computers featuring the latest Operating System (Windows 10), and providing additional software to make it easier for staff to work in an agile way. This process has been completed in Children's Services and will continue across the council starting in November.

3.6 Childrens Services

3.6.1 **Town Lane Infants (£0.800m):** This completed scheme was required to cater for an increase in pupil numbers. It included a new class-base, extended reception, internal re-configuration of the main building and former childrens centre.

3.6.2 **Pensby High (£0.050m):** On completion this provided improved security and safeguarding, the main entrance was re-designed to include a new reception office and secure waiting area for visitors.

3.6.3 **Heygarth Primary (£0.400m):** This scheme, also completed, was required to provide an increase in pupil numbers. This consisted of two new classrooms, internal re-configuration of the reception class-base, improved pupil toilet facilities, additional car parking and safe standing area for parents and visitors.

3.6.4 **Higher Bebington Juniors (commitment £0.600m):** This ongoing scheme is required to provide an increase in pupil numbers. This consisted of extending existing classrooms, new pupil toilet facilities including DDA, major internal re-configuration of 4 class-bases, re-location of staff offices and improved main entrance.

- 3.6.5 **Well Lane Primary (commitment £0.300m):** This ongoing scheme consists of internal refurbishment of the key stage 2 areas including new pupils toilets, enlarging two classrooms, new main entrance and office accommodation.
- 3.6.6 **West Kirby Primary (commitment £0.300m):** On completion this will provide a new main entrance with improved security, reception and head-teachers office, minor internal re-configuration, infill of a unused arear to form a new classroom in a non-traditional design.
- 3.6.7 **Improvement Programme** - this represents a continuation of the transformation funding allowed under the flexible use of capital receipts criteria. In 2018/19 it has been allocated across Children's Social care, Safeguarding, Quality, Performance and Improvement and Children with Disabilities. 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. Presently this is being monitored through revenue and will be transferred to capital at the year end.
- 3.6.8 £1.6 million funding for Primary Places has been re-profiled into 2019/20. Four feasibility studies are currently being undertaken, but if the schemes do progress they are unlikely to start until the new financial year.

3.7 **Delivery Services**

- 3.7.1 Dock Bridges - a further of £0.8 million has been incurred in respect of the current replacement scheme. Contract retention is due to be paid in July 2020. The Project Board meets monthly and the commercial discussions with the main contractor may result in further contract variations affecting the final price.
- 3.7.2 Highway maintenance - the most significant areas of expenditure are in respect of micro asphaltting (£0.85 million) and the programme of surface dressings (£0.40 million).
- 3.7.3 Sustainable Transport Enhancement Programme (STEP). Expenditure is focused on 2 significant schemes; Northbank East (£0.46 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 (£0.122 million) which will also improve accessibility for pedestrians and cyclists, including improved safety for cyclists through the provision of an off road route.
- 3.7.4 Transport for Growth - expenditure has been incurred on a number of schemes to date, by far the most significant being the improvements to the junction of the M53 and A554 (£0.356 million).

- 3.7.5 Grant funding of £0.563 million is available to fund pothole repairs. A further £420 million was announced in the Chancellor's October budget statement, however the details for each authority are awaited. 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. Efforts are directed both to repairs and prevention. By the end of September over 50% of the budget has been spent.
- 3.7.6 In respect of Aids, Adaptations and Disabled Facilities Grants the new home adaptation pilot commenced in August and the stair lift contract has been awarded which will facilitate their faster installation.
- 3.7.7 Discussions are currently underway regarding the most suitable way to procure the necessary works for the facility upgrade at the Tennis Centre and the reception areas at West Kirby and Guinea Gap.
- 3.7.8 Street lighting column upgrade/LED replacement - the tender will be advertised in November 2018 with an anticipated start date of January 2019. Materials will then be ordered for the first 3 months of the contract (Jan to March). It is estimated that this together with installation will cost £0.7 million with the balance re-profiled to 2019/20.
- 3.7.9 West Kirby flood alleviation - ground work investigations currently being undertaken with the tender to be issued in November. Delay to the scheme is due to waiting for the business case to be approved by the Environment Agency.
- 3.7.10 Housing Infrastructure Fund - to support new housing building through match funding to provide for an accelerated construction programme. The actual programme and sites is currently being developed but is unlikely to commence this financial year.

3.8 Economic and Housing 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. Cabinet on 17 December 2017 agreed the acquisition of the leasehold interest in Birkenhead Market which will be completed in February.
- 3.8.2 Wirral Waters Investment Fund - the most significant scheme, Marine Energy and Automotive Park is waiting planning submission and unlikely that funding will be required this year. Together with the Wirral Waters One Housing project they provide the catalyst for the investment fund to be utilised.

3.9 APPROVAL FOR ADDITIONAL FUNDING

3.9.1 Hoylake Golf Depot (£110,000)

Revised bid (original cost £0.25 million) to replace machine shed, hard surface the yard, construct bulk storage bays. This was approved in principle by Budget Council pending further investigations which have now been concluded. Borrowing costs were already included in the Treasury Management budget.

3.9.2 Landican crematoria (£280,000)

A revised bid for improvements to the crematoria, chapel areas and the purchase of a new mapping data base has been approved by the Investment and Change Board (ICB). Borrowing costs were already included in the Treasury Management budget.

3.9.3 Williamson Art Gallery creation of an online catalogue (£150,000)

This represents a more in depth proposal compared with the original bid which focused on documenting the various collections. Once this scheme is complete the public will have 24 hour access. Borrowing costs were already included in the Treasury Management budget

3.9.4 Leasowe leisure centre outdoor 3G pitches (£323,000)

Ground investigations have revealed that additional flood protection measures need to be included to ensure the new development remains operable throughout the year. The additional drainage design has a direct impact on the installation of the 3G pitch, the additional car parking facility and the requirements of the Kingsway Academy PFI Trust management group. Planning requirements also specify additional fencing to protect the adjacent residential properties. The current budget for the scheme is £0.795 million.

3.9.5 Access Wirral (£250,000)

This is currently included in revenue and can be included in the Capital Programme which will release revenue resources.

3.9.6 Early voluntary retirement/voluntary severance (£2,000,000)

This will assist the Council in making savings that are necessary to achieve a balanced budget for 2019/20 and beyond. The “Flexible use of capital receipts” strategy will be amended to reflect this.

FINANCING OF THE CAPITAL PROGRAMME

3.10 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	29,197
Capital Receipts	14,162	13,806
Grants/loans	20,815	17,945
Business Rates (Wirral Waters - ring-fenced)	6,000	0
Total Financing	74,561	60,948

- 3.11 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.

CAPITAL RECEIPTS POSITION

- 3.12 In accordance with the Capital Receipts flexibilities introduced by the Government capital receipts generated between 1 April 2016 and 31 March 2022 can be used to support Transformation. This has been reflected in the Children's Services and Early Voluntary Retirement/Severance schemes included in the Capital Programme for 2018/19 and in the associated receipts assumptions for the allowable timeframe.

- 3.13 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 below table assumes that the proposed estimates, set out at Table 1 is agreed. Receipts and funding assumptions are based upon the latest available information and estimates and are subject to change.

Table 4: Projected Capital Receipts position

	2018/19	2019/20
	£000	£000
Capital Receipts Reserve	1,672	1,072
Cash receipts received to date	706	0
Anticipated receipts	12,500	1,440
Required to fund Childrens improvement programme	(11,100)	N/K
Required to fund Transformation schemes	0	(1,500)
Required to fund EVR/VS scheme	(2,000)	N/K
Required to fund capital programme	(706)	0
Closing Balance	1,072	1,012

3.14 The assumption for receipts in 2018/19 is predicated on the fact that the Transformation Programme of £11.1 million (Children's Services) and the EVR/VS scheme are to be funded from allowable receipts. Critical to this assumption is the disposal of Acre Lane. If the anticipated receipts do not come to fruition, this will cause a subsequent revenue pressure of £11.4 million.

4.0 FINANCIAL IMPLICATIONS

4.1 The revised 2018/19 Capital Programme is £60.948 million and anticipated capital receipts remaining at the year-end £1.072 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	Grants £000	Total Funding £000
Heswall Day Centre	350	-	350	-	350
Extra Care Housing	1,655	-	655	1,000	1,655
Citizen & Provider Portal/I.T.	352	18	-	352	352
Assistive Technology	462	8	230	232	462
Pensby Wood re-modelling (including fit out)	649	355	649	-	649
	3,468	381	1,884	1,584	3,468

Business Management

Demolish former Rock Ferry High	-	23	-	-	-
Windows 10 rollout	2,022	592	2,022	-	2,022
Digital corporate storage	1,000	-	1,000	-	1,000
Data centre	169	162	169	-	169
Creative and digital team software/hardware	48	-	48	-	48
Transformation Programme EVR/VS	2,000	-	2,000	-	2,000
Access Wirral	250	-	250	-	250
	5,489	777	5,489	-	5,489

Childrens Services	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Condition/modernisation	4,000	1,485	-	4,000	4,000
School remodelling (Primary places)	900	121	900	-	900
Basic Needs	1,320	126	-	1,320	1,320
SEN and disabilities (new grant)	206	4	-	206	206
Healthy Pupils Capital Fund	245	-	-	245	245
SEND assisted travel (replace adult fleet)	266	256	250	16	266
Systems improvements (liquidlogic)	147	-	147	-	147
Family support	157	-	157	-	157
Improvement Programme	11,100	5,550	11,100	-	11,100
	18,341	7,542	12,554	5,787	18,341

Delivery Services	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Building refurbishment to increase occupancy	162	142	162	-	162
Treasury building	150	19	150	-	150
Highway maintenance	2,637	1,888	-	2,637	2,637
BAMN Commercial Settlement	305	305	305	-	305
Pot hole action fund	563	300	-	563	563
Bridges	306	89	156	150	306
Dock bridges replacement	900	808	758	142	900
Coast protection	38	3	38	-	38
Transport for growth	2,803	691	1,653	1,150	2,803

Delivery Services (continued)	Revised Programme £000	Spend to Date £000	Grants £000	Total Funding £000
BAM vehicles purchase	145	-	-	145
Sustainable transport (STEP)	1,465	692	578	1,465
Street lighting and LED replacement	349	387	-	349
Street lighting column upgrade/replacement/LED replacement	700	-	700	700
Car parking	3	3	-	3
Illuminated lighting and street signage	250	-	-	250
New Brighton infrastructure	250	14	-	250
Thermal mapping	10	-	-	10
Key Route Network	367	-	327	367
TAG feasibility studies	210	169	210	210
Major infrastructure development/planning	200	-	-	200
Tower Rd National Productivity Fund	200	-	200	200
Highways asset management system	266	-	-	266
Cleveland St transport depot	330	-	-	330
Surface water management	160	-	160	160
West Kirby flood alleviation	699	16	615	699
Aids, adaptations and DFGs	2,000	703	2,000	2,000
Restore empty homes	60	-	60	60
Clearance	50	11	50	50
Home improvement	500	496	-	500
New house building programme	273	34	-	273
Housing Zones Marginal Viability Fund - Northbank Wirral Waters	1,032	-	1,032	1,032
CCTV cameras and other equipment	83	62	-	83

Delivery Services (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Eureka	268	20	268	-	268
Hand arm vibration equipment	75	8	75	-	75
Park depots rationalisation	3	104	3	-	3
Transport museum	66	79	66	-	66
Soft play areas at leisure centres	328	-	328	-	328
West Kirby sailing centre accommodation	564	92	564	-	564
Leasowe leisure outdoor 3G	560	-	560	-	560
The Oval redevelopment	23	-	23	-	23
Beechwood recreation centre	430	35	430	-	430
Pool covers	150	-	150	-	150
Williamson Art Gallery refresh	250	-	250	-	250
Williamson Art Gallery catalogue	26	-	26	-	26
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
Hoylake golf works depot	110	-	110	-	110
Play area improvements	240	30	240	-	240
West Kirby concourse/Guinea Gap reception upgrade	180	-	180	-	180
Wirral Tennis Centre facility upgrade	390	-	390	-	390
Floral Pavilion audio desk	35	-	35	-	35
Landican Chapel improvements	330	-	330	-	330

	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Delivery Services (continued)					
Beach Cleaning - replacement of equipment	175	4	175	-	175
Cemetery Extensions and Improvements	316	122	316	-	316
Wirral sailing centre boats/equipment	15	4	15	-	15
Floral Pavilion chiller units	55	44	55	-	55
The Oval grandstand structural works	55	61	55	-	55
Public toilets upgrade	50	-	50	-	50
	22,724	7,435	12,150	10,574	22,724
Economic & Housing Growth					
Industrial Estates	44	35	44	-	44
Fund to assist land assembly and re-sale	246	118	246	-	246
Business Investment Fund	1,336	-	1,336	-	1,336
Investment in properties	9,300	4	9,300	-	9,300
	10,926	157	10,926	-	10,926
Total	60,948	16,292	43,003	17,945	60,948

Capital Receipts 2018/19

APPENDIX 2

Cash Received	£000
Tarran Industrial Estate	30
27 Tarran Industrial Estate	65
Glenavon Rd covenant	275
Plot 4 Harrison Estate	81
3 Oaktree Place	13
Saughall Massie fire station deposit	4
Municipal building deposit	50
24 Kylemore Drive	28
Renovation loans	160
	706



CLLR JANETTE WILLIAMSON

CABINET

26 NOVEMBER 2018

TREASURY MANAGEMENT

MID-YEAR REPORT 2018/19

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

“This is why an innovative, commercial, entrepreneurial but responsible approach to Treasury Management is so important. This report to Cabinet demonstrates that our efficient approach in this area has delivered savings to Wirral residents of almost £5 million – money which is now available to invest in the services our residents rely on.

“We will continue to capitalise on these opportunities and do all we can to make sure our money goes further to deliver the outcomes our residents want.”

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:-

- Estimated one-off savings in year of a minimum £1.1 million from reduced 2018/19 interest payments and management of the Authority's Capital Financing. The ongoing savings are being used to support the Council's budget for 2019/20.
- Due to the implementation of the Council's revised Minimum Revenue Provision (MRP) policy, approved by Council in 2017/18, the charge the Authority will pay in 2018/19 reduced by £3.8 million compared to the charge scheduled under the original MRP policy. This reduction was accounted for when setting the 2018/19 budget.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

- 1 That the Treasury Management Mid-Year Report for 2018/19 be agreed.
- 2 That the revised Authorised Signatory List relating to Treasury Management activity be approved

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 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 mid-year review for 2018/19.
- 1.2 Under the Council’s financial regulations any surplus resources are returned to balances and so used to support the delivery of other Council services.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 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. The Authority is able to borrow and/or invest substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority’s treasury management strategy. 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

Growth & Inflation

- 3.3 UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast, but then fell back to 2.4% in September as the effects of a subdued economy compete with the depreciation of the pound. Cheaper food prices and a reduction in Transport costs being the main drivers in lowering inflation to its reduced level.
- 3.4 The most recent labour market data for August 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 3.1% providing some evidence that a shortage of workers is providing support to wages. However once this figure is adjusted for the effects of inflation, ‘real wages’ grew by

only 0.7%, a marginal increase unlikely to have had much effect on households spending power.

- 3.5 The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1, which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year on Year GDP growth at 1.2% also remains below the expected trend as the uncertainty surrounding the conditions of the UK's exit from the European Union still remain unresolved.
- 3.6 Further afield the trade difficulties between the US and China, due to tariffs announced by the US, has the potential to damage not just to China but also other Asian economies in the supply chain. These tariff complications, combined domestic economic uncertainty, risks contributing to a slowdown in economic activity and growth in 2019.

Monetary Policy

- 3.7 At the Bank of England there was a unanimous decision for a rate rise of 0.25% in August taking the Base Rate to 0.75%, its highest level since 2009.
- 3.8 In the face of Brexit-related uncertainty, our advisors Arlingclose expect the Bank of England to take only a very measured approach to any monetary policy tightening; any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

Market Reaction

- 3.9 The UK government issues bonds to raise funding, these bonds are known as 'Gilts'. The pricing of Gilts can fluctuate and depends on market opinion on areas such as interest rate expectation and investors perception of the condition of the economy.
- 3.10 Over the period the yield on the benchmark 5-year Gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The interest rates at which the government issues bonds act as a base in rate setting for loan and investment opportunities that the council may be presented with, for example the Public Works Loan Board (PWLB) would charge the Council a rate of interest of gilts & 0.80% for any borrowing we arrange from them. It is for this reason that the gilt market is under constant review, in case any favourable borrowing conditions arise for the Council.

THE COUNCIL TREASURY POSITION

- 3.11 The table shows how the position has changed since 31 March 2018.

Table 1: Summary of Treasury Position

	Balance 31 Mar 18 £m	Maturities £m	Additions £m	Balance 30 Sep 18 £m
Investments	50	(271)	267	46
Borrowings	(267)	317	(292)	(242)
Other Long-Term Liabilities	(45)	1	0	(44)
Net Debt	(262)	47	(25)	(240)

Throughout the first six months of the year the level of net debt has reduced due to the repayment of debt as it fell due.

- 3.12 The decrease in Net Debt is the result of repaying loans as they fall due and managing Capital financing requirements via 'internal borrowing' to minimise interest costs payable by the Authority. Internal borrowing is discussed further in this report.

INVESTMENT ACTIVITY

- 3.13 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. These investments arise from a number of sources including General Fund Balances, Reserves and Provisions, grants received in advance of expenditure, money borrowed in advance of capital expenditure, Schools' Balances and daily cashflow / working capital.
- 3.14 **Table 2: Investment Profile**

Investments with:	31 Mar 18 £m	30 Jun 18 £m	30 Sep 18 £m
UK Banks	6	3	5
Non-UK Banks	6	8	9
UK Building Societies	3	1	1
Money Market Funds	22	20	23
Community Interest Companies	2	2	1
Pooled Funds	6	7	7
Other Local Authorities	5	0	0
TOTAL	50	41	46

At 30 September 2018 the Council held investments of £46 million. Table 2 above shows the level of investment decreasing to £41 million at 30 June 2018 (from £50 million as 31 March 2018) due to the loans being repaid. The level then increased to £46 million as income was received.

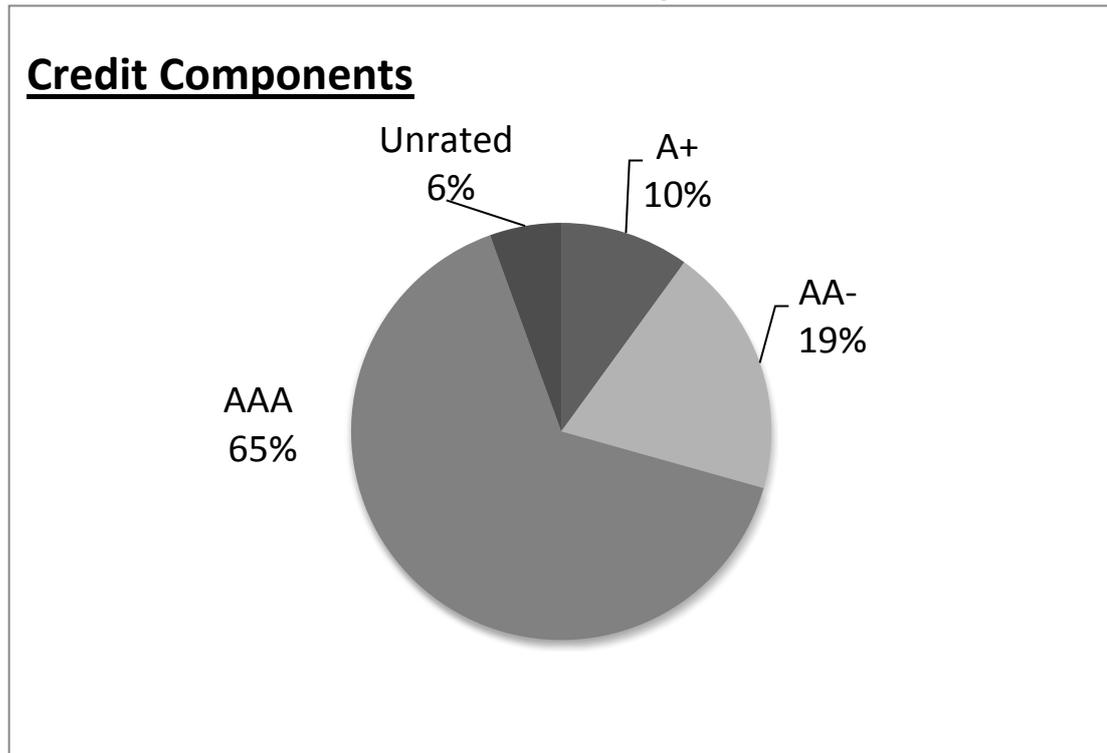
- 3.15 The table below shows approximately where the investments came from.

Table 3: Investment Sources

Usable Reserves	31 Mar 18 £m	30 Jun 18 £m	30 Sep 18 £m
General Fund	25	22	17
Earmarked Reserves	55	52	54
Capital Receipts Reserve	2	0	2
Capital Grants Unapplied	14	14	14
	96	88	87
Internal Borrowing in lieu of External Borrowing	(46)	(47)	(41)
Reserves Invested	50	41	46

- 3.16 With short-term investment interest rates having remained at historic low levels, it is more cost effective in the short-term to use internal resources, rather than undertake longer term external borrowing. By doing so, the Authority is able to reduce net borrowing costs despite foregone investment income and also reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the short term, internal resources are reducing and it is unlikely that such a policy can be sustained long term. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years, when long-term borrowing rates are forecast to eventually rise.
- 3.17 Security of capital remains the main investment objective. This is maintained by following the counterparty policy set out in the Treasury Management Strategy Statement for 2018/19 which defined “high credit quality” organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.
- 3.18 Counterparty credit quality is assessed and monitored with reference to credit ratings (the Authority’s minimum long-term counterparty rating for 2017/18 is A- across rating agencies Fitch, S&P and Moody’s); Credit Default Swap (CDS) prices, financial statements, information on potential government support and reports in the quality financial press.
- 3.19 The following chart shows the credit composition of the Council’s investment portfolio as at 30th September 2018:

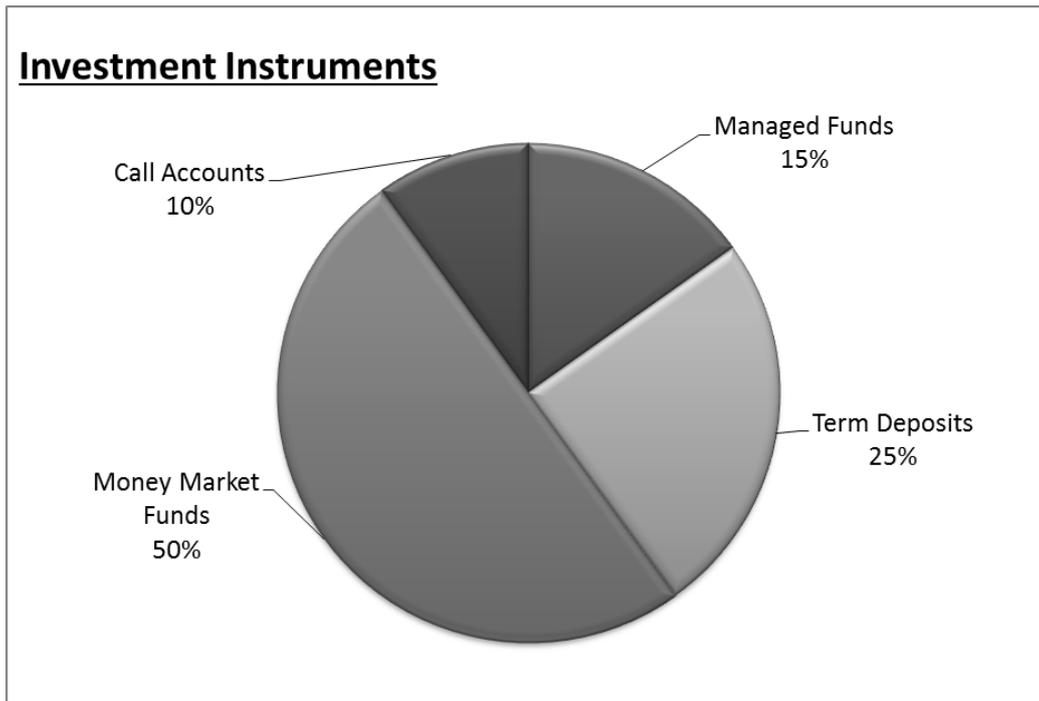
Chart 1: Investment Portfolio – Credit Components



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

- 3.20 Investments with banks and building societies were primarily call accounts and fixed-rate term deposits. The maximum duration of any new investment was constantly reviewed in line with the prevailing credit outlook during the year as well as market conditions.
- 3.21 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 call accounts.
- 3.22 For diversification purposes the Council 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



- 3.23 The restructure of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – to take account of new ring-fencing arrangements is complete. The transfer of their business lines into retail (ring-fenced) and investment banking (non-ring-fenced) is progressing and will need to be completed by the end of 2018.
- 3.24 There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1. Upgrades to long-term ratings included those for Royal Bank of Scotland plc and NatWest Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.
- 3.25 Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.
- 3.26 The budget for investment income is £560,000 but achievable income will be in the region of £300,000. The shortfall of income will be offset by reduced costs in terms of interest payable on borrowings. This reduction in investment income is attributable to two key factors:
- Low interest rates offered for investments and

- b) The continuing policy of relying on internal borrowing to temporarily fund and thereby delay borrowing for the capital programme, which reduces balances available to put into investments but generates larger savings in interest incurred.
- 3.27 The UK Bank Rate was increased from 0.50% to 0.75% in August 2018. The average income return on investments at the end of September was 0.81%, with the portfolio invested in secure counterparties with a good level of liquidity. However this does not reflect the savings of an estimated 2.5% on delayed borrowing for amounts internally borrowed.
- 3.28 In terms of enhancing the interest return we are in the process of opening further 'External Pooled Funds' with a view to increasing investment duration for a section of the portfolio. Investment in this type of fund is subject to more volatility compared to traditional terms deposits. This longer duration is to smooth out any potential drops in the market of that particular asset and should result in a commensurate interest rate increase, with the funds concerned generating a return of approximately 4%. Pooling funds in such a way and the resultant diverse pool of assets is a less risky way of gaining access to different investment sectors, such as bond markets, equities and property without taking on the additional risks if the Council were the sole holders of such assets.
- 3.29 The return on investments, along with our policy of internally borrowing, reflects prevailing market conditions and the objective of optimising returns commensurate with the overriding principles of security and liquidity.

BORROWING AND DEBT MANAGEMENT

- 3.30 The Council undertakes borrowing to fund capital expenditure. As short-term investment interest rates have remained, and are likely to remain at least over the immediate future, lower than long-term borrowing rates, the Authority determined it was more cost effective in the short-term to use internal resources instead.
- 3.31 The use of internal borrowing will not be sustainable over the medium term. Elements of the Capital programme the Council will ultimately require funding via borrowing from external sources. As reserves are called upon the resources temporarily available to use in lieu of external borrowing diminish, meaning the Council will reach a point when it is no longer possible to delay borrowing any further. Internal borrowing does not remove the need to externally borrow, it merely delays incurring the debt and consequently the financing costs.
- 3.32 The decision to continue to use internal resources in lieu of borrowing for capital purposes, thereby reducing borrowing costs will generate savings in 2018/19. The level of savings will be dependent upon the borrowing requirement of Capital schemes delivered within the financial year. In future years, as cash flows diminish through use of reserve and/or interest rates rise, external borrowing will have to increase. The Treasury Management team will

continue to proactively manage the Authority's cash flow to delay external borrowing for as long as is possible and prudent to generate savings.

- 3.33 With external longer term borrowing reducing, the annual cost of financing this debt has fallen year on year, generating savings, as illustrated below. These cost reductions, the deferral of further borrowing costs through internal borrowing and policy amendments have provided substantial one-off savings to the Council:

Table 4: Debt Costs and Savings Achieved

Year	Capital Financing Loans £m	Annual Interest Costs £m	Contribution to General Fund £m
2015/16	199.4	9.2	4.0
2016/17	190.9	9.1	9.4
2017/18	181.8	9.0	6.8

- 3.34 Effective utilisation of the short term Local Authority loan market has further delayed the need to enter into more costly longer term loans. At 30th September the Council had £67 million borrowed via such loans running at an average rate of 0.68%. These temporary, short dated loans, from other local authorities remain affordable and attractive for periods of low cash flow, with rates available between 0.7% and 0.85% for one and three month periods.
- 3.35 The Public Works Loans Board (PWLB) remains the Council's preferred source of longer term borrowing given the transparency and control that its facilities continue to provide.
- 3.36 Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council's treasury advisor.
- 3.37 Other Long-Term Liabilities include the schools Private Finance Initiative (PFI) scheme and finance leases used to purchase vehicles plant and equipment. Under International Financial Reporting Standards (IFRS) these are shown on the Balance Sheet as a Financial Liability and therefore need to be considered within any Treasury Management decision making process.
- 3.38 The Council has not entered into any new lease agreements during 2018/19.
- 3.39 The table shows Council debt at 30 September 2018:

Table 5: Council Debt at 30 September 2018

Debt	Balance 31 Mar 18 £m	Maturities £m	Additions £m	Balance 30 Sep 18 £m
<u>Borrowings</u>				
PWLB	(23)	6	0	(17)
Market Loans	(157)	0	0	(157)
Interest Free Loans	(2)	1	0	(1)
Total Capital Finance Loans	(182)	7	0	(175)
Other Long Term Liabilities	(45)	1	0	(44)
Temporary Cashflow Loans	(85)	310	(292)	(67)
TOTAL	(312)	318	(292)	(286)

The reduction in total debt is due to a combination of repaying temporary cashflow loans that were required over the latter part of 2017/18 and the repayment of longer term PWLB loans, through the use of internal resources rather than arranging new loans to replace the maturing debt.

REGULATORY UPDATES

CIPFA Consultation on Prudential and Treasury Management Codes

- 3.40 Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice. In England MHCLG published its revised Investment Guidance which came into effect from April 2018.
- 3.41 The updated Prudential Code include the production of a new high-level Capital Strategy report to full council which will cover the basics of the capital programme and treasury management. There is a requirement to demonstrate to Council that capital decisions are taken in line with service objectives. Property acquisition and investment is an area which CIPFA has identified as requiring tighter guidelines and increased governance requirements to ensure secure stewardship of public funds, value for money, prudence, sustainability and affordability. These principles should not be neglected for pure commercialisation.
- 3.42 Amongst the changes to the Treasury Management Code is the treatment of non-treasury investments such as commercial investments in properties to be included in the definition of “investments” as well as loans made or shares brought for service purposes. Such investments will be covered by an Investment Strategy, separate to the Treasury Strategy.
- 3.43 The new suite of reports will be produced later in 2018/19, ahead of implementation in 2019/20.

COMPLIANCE WITH PRUDENTIAL INDICATORS

- 3.44 The introduction of the Prudential Code in 2004 gave Local Authorities greater freedom in making capital strategy decisions. The prudential indicators allow the Council to establish prudence and affordability within the Capital Strategy. The indicators as shown in Appendix 1 demonstrate that the treasury management decisions are in line with the Strategy, being prudent and affordable

AUTHORISED SIGNATORY LIST

- 3.45 A new Assistant Director for Finance & Investments will be joining the Finance Department later this year. The role will include being listed as an authorised signatory for the Authority. It is therefore recommended that the Authorised Signatory List be amended to reflect this change. (Appendix 3)

4.0 FINANCIAL IMPLICATIONS

- 4.1 Capital debt finance has reduced to £175 million (Table 5), a decrease of £89 million since 2012, despite additional annual Capital commitments. This has also contributed to the generation of substantial savings.
- 4.2 Investment income has also helped to generate resources for service delivery.
- 4.3 The Treasury Management team will endeavour to further reduce interest costs wherever possible during the second half of the year.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report

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APPENDICES

Appendix 1 Prudential Indicators 2018/19
Appendix 2 Revised Authorised Signatory List

SUBJECT HISTORY

Meeting	Date
Treasury Management Strategy Statement 2018-19	19th February 2018
Treasury Management Annual Report 2017-18	16^h July 2018

PRUDENTIAL INDICATORS 2018/19

(a) Net Debt and Capital Financing Requirement (CFR) Indicator

The CFR measures the underlying need to borrow money to finance capital expenditure. The Prudential Code stipulates that net debt (debt net of investments) should not, except in the short term, exceed the CFR for the previous year plus the estimated additional CFR requirement for the current and next two financial years.

	£m
CFR in previous year (2017/18 actual)	339
Increase in CFR in 2018/19 (estimate)	10
Increase in CFR in 2019/20 (estimate)	20
Decrease in CFR in 2020/21 (estimate)	-7
Accumulative CFR	362

Net Debt does not exceed the CFR and it is not expected to in the future. This is a key indicator of prudence

(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 the first half of 2018/19.

	Operational Boundary (Approved) 2018/19 £m	Authorised Limit (Approved) 2018/19 £m	Actual External Debt 30/09/2018 £m
Borrowing	404	414	242
Other Long-term Liabilities	58	63	44
Total	462	477	281

(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	£242m	£0m	£242m
Proportion of Borrowings	100%	0%	100%
Upper Limit	100%	100%	
Investments	£11m	£35m	£46m
Proportion of Investments	24%	76%	100%
Upper Limit	100%	100%	
Net Borrowing	£231m	£-35m	£196m
Proportion of Total Net Borrowing	118%	-18%	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	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing as at 30 Sep 18	% of Fixed Rate Borrowing as at 30 Sep 18
	%	%	£m	%
Under 12 Months	80.0	0.0	69.7	28.8
12 Months and within 24 Months	50.0	0.0	4.2	1.7
24 Months and within 5 years	50.0	0.0	18.3	7.6
5 years and within 10 years	50.0	0.0	18.7	7.7
Over 10 years	100.0	0.0	131.0	54.1
Total			241.9	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 2018/19 the limit was set at £75 million.

As at 30 September 2018 the Council had no investments longer than 364 days.

APPENDIX 2

AUTHORISED SIGNATORIES

The following officers are authorised to make payments, either via the Council's online banking system or by signing cheques, and issue other instructions relating to Treasury Management transactions on behalf of Wirral Borough Council:

Director for Finance & Investments:	Shaer Halewood
Assistant Director for Finance & Investments:	Daniel Kirwan (From 3 rd December 2018)
Senior Finance Manager:	Peter J. Molyneux
Senior Finance Manager:	Jenny Spick
Senior Finance Manager:	Peter McCann



COUNCILLOR PHIL DAVIES

CABINET

26 NOVEMBER 2018

MEDIUM TERM FINANCIAL STRATEGY

AND COUNCIL BUDGET 2019/20

Councillor Phil Davies (Leader of the Council) said:

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

“Once again, this year, we are facing an almost unimaginable financial challenge. Continued reductions in our support from Central Government, combined with growing demand for our services, mean we must find ways to reduce our spending – or raising our income – by £45 million just next year.

“This is on top of the more than £200 million in cuts we have been forced into delivering since austerity began. This means we must make ever more difficult decisions, but we will never shirk our responsibilities to Wirral residents. We will always find ways to use our diminishing resources to improve our borough and the quality of life our residents can enjoy.

“We will invest public resources where it will deliver the most impact – in creating jobs, in improving the local environment, and in protecting our most vulnerable children, adults and families.

“We will deliver on all of our promises to Wirral residents. Our medium-term financial strategy provides a budget for next year, which delivers on our priorities for Wirral and meets our principles as an Administration – it protects our most vulnerable, it shields the services our residents rely on most from the worst of the cuts, and it safeguards our workforce.

“Even in these most challenging circumstances, it is a budget we can be proud of and a budget I believe Wirral residents will support.”

REPORT SUMMARY

This report is part of the Council's formal budget process as set out in the constitution and in line with the legal requirements to set a balanced and sustainable budget for 2019/20. This report presents an update on the Medium Term Financial Strategy (MTFS) agreed earlier this year including details of the preparations for the following financial years. Cabinet is required to initiate and propose financial options to set the budget for next year. The purpose of the report is to approve a set of proposals.

It contains details on a number of financial matters:

- The approach to the preparation of the 2019/20 budget. It is anticipated that the Council will set a balanced budget in 2019/20 via increased income including that received from Council Tax, the implementation of a number of financial proposals and the use of one-off funding that will close the budget gap;
- An update on the progress of the MTFS, a renewed version will be considered by Cabinet in February 2019;
- Details of the main financial challenges and changes that will occur in the next financial year. The Council continues to face a funding gap projected at £45million as a result of financial pressures and, in part, the planned reduction in Government grant.

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

RECOMMENDATIONS

That the Cabinet:

1. Approve the financial proposals for 2019/20 that will be subject to consultation and further consideration by Cabinet in February as set out at appendix 1;
2. Note the financial challenges facing the council in setting a sustainable and balanced budget for MTFS 2019/20 - 2022/23;
3. Note the approach the Council is taking to close the budget gap over the four year budget planning horizon to deliver a sustainable budget;
4. Note the approaches the Council is pursuing to ensure future budget sustainability;
5. Agree that an updated Budget Report and MTFS be presented to Cabinet on 18 February 2019.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The MTFs supports the delivery of the Wirral Plan. The Strategy, and associated financial governance arrangements, is key to ensuring the Council is well run and financially stable. Throughout the year financial updates are presented to Cabinet which highlight the financial position so enabling decisions to be taken to ensure the Council remains financially stable.
- 1.2 The Council has to meet a legal requirement to set a balanced Budget in March 2019 for the 2019/20 financial year. This report details the actions, proposals and main risks to setting a balanced budget for 2019/20.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council has a legal requirement to set a balanced Budget each March for the following financial year. This report details proposals and initiatives that increase income or reduce expenditure and assist in decisions regarding setting the Budget. Cabinet could choose alternative approaches to the delivering of a balanced budget.

3.0 BACKGROUND INFORMATION

- 3.1 Council held on 7 March 2018, approved the 2018/19 budget, a balanced budget, using a number of one-off items totalling £26m for 2018/19. The move to a sustainable budget will require a reduction of the “one-off” items, as these are not repeatable. In July Cabinet agreed a MTFs with a budget gap of £45m for 2019/20 and £22m to be identified for 2020/21 to 2022/23. The first part of the MTFs process has identified revisions to budget assumptions and financial proposals to close the budget gap in 2019/20. Further work is on-going to firm up on proposals to close the budget gap across the MTFs period to 2022/23 and to produce a budget plans for these years. The intention is to report these to Budget Cabinet in February 2019.

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

MTFS 2019/20-2022/23 Process

- 3.2 At Cabinet in July the 2019/20 to 2022/23 MTFs was agreed. In addition, given the significant savings required for the Council to move to a fully sustainable budget over the MTFs four year time horizon, the Council has

utilised an enhanced budget process in order to facilitate a more robust methodology to identify, implement and deliver financial proposals required to balance the Council's Budget.

The budget process has and will follow similar governance processes to the previous years with proposals having been discussed Council wide before being published for consultation, and undergoing examination through Scrutiny meetings before final approval by Cabinet and Full Council.

Budget Context: Funding and Pressures

- 3.3 The Council operates in a difficult financial environment with continuing pressures in social care and reductions in funding. The Council will be, in a few years, increasingly self-funded from Business Rates, Council Tax and income generated locally
- 3.4 Local Government funding will change significantly in 2020/21 and presently there is very limited information on how these changes will affect individual Councils. The Council will continue to follow and understand, influence, and maximise benefit from the upcoming changes. However, it is possible that the Council may be adversely affected by these changes. Cabinet will be updated on any funding changes as they become public and the Council will actively contribute to relevant consultations.
- 3.5 The Chancellor announced the Autumn Budget on 29 October 2018. It appears to be a relatively positive one for Local Government with overall public spending forecasts for the 2019 Spending Review anticipated to be an improvement on what had previously been thought likely. The main message was an "end to austerity" and implies that the current government will not cut public expenditure to achieve a balanced budget. A number of economic indicators appear to support the assertion that austerity is ending. However this is dependent on the UK economy performing as expected.
- 3.6 In addition Local Government appears to be making it onto the Governments schedule with additional funding being announced for the current year and 2019/20. However the planned cuts to Revenue Support Grant of £1.4bn and £1.3bn are taking place. These have a significant impact on the budget gap for the Council for next year and 2020/21.
- 3.7 The 2019 Spending Review will provide details of revenue and capital plans for each Government department. The Budget has given indicative 5 year plans for public spending for the whole of the public sector.
- 3.8 The better than anticipated overall funding guidelines for the public sector may be seen as positive for local government in the next spending review period from 2020/21. In addition local government and acknowledgement of the current financial difficulties facing Councils was specifically mentioned by the Chancellor. Whilst these are well recognised by Members and Officers there now appears to be some recognition of these in Whitehall.

3.9 The specific items of interest announced in the Budget are as follows:

- £650m additional grant funding for adult social care in 2019/20. This is on top of the £240m for 2018/19 that was announced in October. The Budget details in the Red Book show the additional £650m is split into two amounts: £240m to continue the 2018-19 funding and then a new amount of £410m to fund social care generally:

“The Budget provides a further £410 million in 2019/20 for adults and children’s social care. Where necessary, local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.” Para 5.16;

- An additional £55m (11.7% increase) for Disabled Facilities Grant (DFG) will be made available in 2019/20. DFG funds “home aids and adaptations for disabled children and adults on low incomes”. This grant is payable via the Better Care Fund and it is assumed the distribution will be the same as for the current grant allocations;
- For Children’s social care improvement an £84m fund will be made available to 20 authorities over 5 years. The purpose of the funding will be “to help more children to stay at home safely with their families”;
- A total of £450m will be made available to local authorities in 2019/20 to fund “potholes, repair damaged roads, and invest in keeping bridges open and safe”. The method of distribution has not been announced. It is assumed this funding is revenue rather than capital;
- A further £150m will be distributed to local authorities from the National Productivity Investment Fund (NPIF) to “support projects across England that ease congestion on local routes”;
- Transforming Cities funding will be extended a further year (2022/23) for the 6 metro mayors. This is worth an additional £240m in 2022/23. There will be a further £440m for the 10 city regions on a competitive funding basis (funding will be for two city regions only);
- Schools: £475m in-year increase in capital funding to each school, averaging £10,000 for primary and £50,000 for secondary schools;

Business rate relief

- Targeted increase in the threshold for Small Business Rate Relief to: “[cut] business rates by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits”. It is assumed that the Government will operate this as a specific relief funded by a section 31 grant, and that it can be applied by local authorities rather than waiting for applications from eligible businesses. Businesses will also have to

be careful that the relief does not take them above their State Aid limits;

- The £1,500 local newspaper business rates discount will be extended for another year and will continue to be funded through section 31 grant;
- Local authorities will be able to award mandatory business rate relief to public lavatories, whether publicly or privately owned (currently they cannot award business rate relief to their own properties). The Red Book indicates that all public conveniences will be eligible for 100% relief (and £5m is being made available from 2020/21) and that local authorities “will be fully compensated for the loss of income as a result”;
- There will be £657m co-funding to help local authorities manage the changing pressures on the local high street. Local authorities will be asked to draw-up plans to change under-used retail areas to residential use, and these will be accompanied by changes in the rules of compulsory purchase orders and use orders. £65m of the funding will be revenue and starts in 2019/20. The remainder is capital, with the largest amounts (£200m and £240m) in 2022/23 and 2023/24. There are no details on how this grant will be allocated.

3.10 The current MTFS includes the following funding assumptions that relate to the 2019/20 budget:

- General Council Tax is assumed to increase at 2.99%;
- No additional funding relating to the Adult Social Care Precept of 3%, with 2018/19 being the final year this was allowed to be levied at 3%;
- The Council Tax base is increased to reflect the growth in new homes and a number of other factors that affect the size of the base such as, Council Tax Reduction Scheme, Council Tax exemptions and the banding of properties, of which Wirral is largely weighted towards band A and B properties;
- Business Rates (NNDR) is assumed to increase at the rate of CPI. This equates to 2.4% in 2019/20;
- Revenue Support Grant (RSG) is assumed to reduce by 33% from 2018/19 to 2019/20. The figures for 2019/20 remain fairly certain following the four year settlement deal secured by the council, covering the period 2016/17-2019/20. The financial position remains subject to review. The provisional Local Government Finance Settlement is due to be announced on 6 December 2018. RSG will be part of the 75% business rates retention and the fairer funding mechanism which will be introduced from 2020/21. At this stage Ministry of Housing and Communities and Local Government (MHCLG) are consulting with

local authorities and the level of funding to the council remains uncertain beyond 2020/21.

3.11 The current MTFS includes the following financial pressure assumptions that relate to the 2019/20 budget:

- Adult Social Care pressures including the impact of the minimum wage, increases in activity and costs for residential and home care for example;
- Children's Services – No new pressures have been identified although it is recognised that the existing pressures are still prevalent within Local After Children and Safeguarding. Through the tight management of these areas and the use of current mitigations a standstill position should be maintaining for the service. The targeting of early help services to prevent needs escalating are also being used to prevent further financial pressures occurring;
- Replacement of "One-off" Funding of £26m. To establish a sustainable budget will require a reduction of the "One-off" funding, as by its nature, this is not repeatable. The one-off funding has come from the use of general fund balances and reserves, capital receipts and collection fund surpluses. It is currently planned to reduce the level in 2019/20 and 2020/21 with the development of permanent financial solutions such as additional income to replace the one off funding;
- Inflation for pay, pensions and contracts where required;
- Levies- an allocation of £0.9m has been made to cover the cost of increases in levies such as for the Mersey travel and Merseyside Waste and Recycling Authority. The Transport and Waste levies will not be confirmed until February 2019;
- Capital Financing Costs – £1.5m borrowing costs associated with the approval of new schemes in the capital programme. The Council has ambitious plans to regenerate the area and increase income as a result. Many involve capital investment before the financial benefits come on stream and this in term has associated financing costs that impact on future revenue budgets.

MTFS 2019/20-2022/23 UPDATE

3.12 Since 2010 the Council has, through its annual budget, 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 more diverse solutions through efficiencies, a number of innovations and transformation plus raising more income. For 2017/18 and 2018/19 there has been the use of one off funding as a solution and this now means that the period 2019/20-2021/22 represents a new challenge.

- 3.13 The Wirral Plan provides the framework within which the Budget and the MTFs are developed and informs the development of budgets, the prioritisation of resources and the difficult decisions that need to be made. The approaches agreed in the MTFs by Cabinet in July to resolving the funding gap and developing financial proposals for future years are as follows:

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 have to make up a significant part of the resolution of the funding gap;

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 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.

- 3.14 For the development of 2019/20 budget, work has been undertaken through the portfolios that support the delivery of the Wirral Plan. This has been a flexible implementation process that has also covered the later years of the MTFs to identify strategic options, direction and ideas. These are being developed further before being presented to Cabinet in February 2019.

- 3.15 The budget process has identified:

1) Financial Proposals that have been validated and are ready for approval; These are detailed in Appendix 1.

2) Financial Proposals that are being worked on and detailed plans need to be validated to enable timely implementation in future financial years.

3) Future strategic direction and ideas.

The Budget Strategy that has driven the development of budget proposals has been through the overarching themes of Income and investments, Transform how the Council works and operates and Working with partners and residents. The budget process and the development of new financial proposals has been through the Cabinet portfolios.

- 3.16 As part of the MTFs for 2019/20-2022/23 financial proposals for 2019/20 are included in Appendix 1 and these are summarised below.

SUMMARY OF FINANCIAL PROPOSALS FOR 2019/20

SUMMARY OF FINANCIAL PROPOSALS BY PORTFOLIO	19-20 £m
Highways and Transport	0.17
Jobs and Growth	8.15
Environment	0.20
Children's & Families	3.90
Adult Care and Health	8.65
Finance and Resources	17.63
Leisure and Recreation Services	2.95
Housing and Planning	0.10
TOTAL	41.75

3.17 BALANCING THE BUDGET 2019/20

PROJECTION	2019/20 £m
MTFS BUDGET GAP	45.00
Less Financial Proposals	41.75
Less Revision to budget assumptions (Council Tax, reduced demand pressures and funding)	3.25
BUDGET GAP	0

- 3.18 As can be seen from the table above the budget gap has been closed with the currently drafted financial proposals. For 2019/20 a number of uncertainties remain around levies and further Central Government announcements such as the local government finance settlement. The position will be updated and reported to Cabinet in February 2019 when the outcome of further developments will be clearer such as the results of the budget consultation. Whilst there are indicative proposals for subsequent years being considered, the budgets for the later years will be reviewed and refined before being formally considered in advance of each year through the MTFS. Further details will be included in the MTFS that will be considered by Budget Cabinet in February 2019.

GENERAL FUND BALANCES AND RESERVES

- 3.19 The level of Council General Fund balances and Earmarked Reserves are reviewed during the year through the revenue monitor, outturn reporting and budget setting processes.
- General Fund Balances**

The General Fund Balance will be maintained at £10 million. This level is at the minimum recommended amount given the level of risks and issues being managed in the current financial year and potential budget pressures in future years. It equates to 3% of General Fund balances to net expenditure.

General Fund Balances estimated at the end of 2018/19 and 2019/20

	2018/19	2019/20
General Fund Balances	£10m	£10m

Earmarked Reserves

Earmarked reserves are set aside or maintained for specific purposes, a number are ring fenced for a specific use or are available for use. Those reserves that are available for use will be utilised in part as part of next year's budget to resource the cost of transformational change and a balanced budget position.

CAPITAL PROGRAMME AND USE OF CAPITAL RECEIPTS

- 3.20 The Capital Programme 2019/20-2021/22 will be reported to Budget Cabinet. In preparing this the existing Programme will be revised with the re-profiling of schemes and the resources anticipated being available. New schemes will be considered for inclusion in the Programme. The revisions will also include the use of capital receipts to fund the Transformation Programme.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The financial implications are detailed in the report.

5.0 LEGAL IMPLICATIONS

- 5.1 The Council is required to agree a Budget for 2019/20 by 10 March 2019. As part of agreeing the Budget the Chief Financial Officer is required under Section 25 of the Local Government Act 2003 to produce a report on the robustness of the estimates made for the Council Budget.
- 5.2 The duty of the Council is to avoid a budget shortfall which is not just an academic exercise in balancing the books. The Chief Financial Officer of a local authority has a personal duty under Local Government Finance Act 1988 Section 114A to make a report to the Executive if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to meet that expenditure.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

7.1 The financial position is based on forecast amounts which are outside of Council control such as Government funding and the levies from other bodies as well as reflecting changing demand for services. A key risk is that any of these assumptions can change which is increasingly the case when projections are made over the medium term. This is mitigated by keeping the MTFS under, at least, an annual review.

7.2 The budget for 2019/20 is reliant on the generation of future capital receipts. The generation of capital receipts is sensitive to the fluctuations in the performance of the property market including changes in land values. If sales and prices reduce or not take place, it will be necessary to look to mitigate including through the use of limited revenue funding and further sales of assets.

7.3 There is a risk that agreed changes will not be delivered. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The level of General Fund balances includes an element to reflect the risk associated with the delivery of the savings. In the medium term the delivery of the new homes is reliant upon developers being able and prepared to build the housing.

7.4 Over the period of the MTFS there may be years where there is a projected funding gap which will be met from the use of one-off funding. Whilst this approach can be adopted it does present a risk in that this action is only a temporary solution. The challenge associated with the use of one-off funding is the requirement to develop budget reductions across the Council or additional income. While work has been started on future years further work is required with the development of the MTFS planning process to meet the challenges of replacing the one-off funding with permanent solutions. This can be mitigated by the earlier delivery of the proposals.

7.5 At this stage new financial proposals to close the budget gap for 2019/20 are presented in this report and will be finalised at Cabinet in February following consultation. A failure to achieve this will result in either the further use of one-off funding such as balances or the failure to set a budget.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 In July 2018 Cabinet agreed a refreshed Medium Term Financial Strategy. This reflected the reduction in government funding from 2020 and continued pressures to fund the support of the most vulnerable. This report has outlined the plan to make further savings and raise additional income throughout the Council. As part of this process we are seeking views on our future budget and spending priorities, which will be delivered through an extensive programme of community and stakeholder consultation.
- 8.2 The majority of this year's financial proposals can be implemented without changing existing Council policies and procedures as they do not impact on public facing services and do not require wider public consultation. These include a number of service and financial management savings plus improvements to the Councils contracting and procurement arrangements.
- 8.3 A number of the financial proposals if agreed by Cabinet will require specific consultation. Subject to Cabinet agreement, the Council will commence appropriate consultation directly with any service users and stakeholders who are affected and feedback their views before final decisions are taken.
- 8.4 The Council will also work with staff and Trade Unions where required to ensure obligations in relation to statutory; staff consultation is delivered appropriately and within agreed guidelines.
- 8.5 Overview and Scrutiny Committees will have the opportunity to examine proposals in detail and report back. This will be through a number of Budget Workshops that have been planned as follows:

Tuesday 4th December	Wednesday 5th December	Thursday 6th December	Tuesday 11 th December
Environment	Children & Families	Adult Care and Health	Business

9.0 EQUALITIES IMPLICATIONS

- 9.1 It is recognised that some of the developing proposals could have equalities implications. These will be considered prior to decisions being taken by Cabinet in February 2019.

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SUBJECT HISTORY

Council Meeting	Date
Council – Wirral Plan	13 July 2015
Cabinet – Medium Term Financial Strategy 2019/20-2022/23	16 July 2018
– Revenue Budget and Council Tax Levels 2018/19	19 February 2018
Council – Revenue Budget and Council Tax Levels 2018/19	4 March 2018

PROPOSED FINANCIAL PROPOSALS

APPENDIX 1

HIGHWAYS & TRANSPORT	19/20 £m
Assisted Travel Procurement full year impact of 2018/19 saving	0.12
Street Lighting LED savings	0.05
Total Highways & Transport	0.17

JOBS & GROWTH	19/20 £m
Marine Point Freehold	4.00
Benefits of Economic Regeneration	4.15
Total Jobs and Growth	8.15

ENVIRONMENT	19/20 £m
Cemeteries & Crematoria increased fees	0.20
Total Environment	0.20

CHILDRENS & FAMILIES	19/20 £m
Reduce Agency staff to core staff	1.00
Troubled Families Earned Autonomy funding	0.60
Looked After Children reduced numbers	0.40
Childrens management restructure	0.50
Business Support restructure	0.40
Special Guardianship Allowances	0.80
Remove 'Golden Hello' payment	0.20
Total Childrens and Families	3.90

ADULT CARE & HEALTH	19/20 £m
LD Transformation Programme-year 3 (2019/20)	2.00
Mitigating Adult Social Care demand through maximising independence and well being	5.80
Use of Grant Funding	0.85
Total Health & Care	8.65

FINANCE & RESOURCES	19/20 £m
Treasury Investment	2.00
Contracts review	1.50
Increase Council Tax Collection Rate	0.50
Capitalisation of salaries	0.15
Fees & Charges increases	1.00
Senior Manager and back office savings	1.90
Efficiencies from centralising IT budgets	0.18
Asset sales	1.50
Reducing Supplies and Services by 10%	2.50
One off reserves	2.00
Reduce Interims/Agency/Consultants(not Children and Schools)	1.00
Whole Council Service Reviews	1.00
Transformation funding reduction	2.00
Pensions regulatory changes	0.40
Total Finance and Resources	17.63

LEISURE AND RECREATION SERVICES	19/20 £m
Culture income target	0.10
Expert operator for the Floral Pavilion	2.05
Expert operator for golf courses	0.80
Total Leisure and Recreation Services	2.95

HOUSING & PLANNING	19/20 £m
Increase in Planning Income to cover costs	0.10
Total Housing and Planning	0.10

SUMMARY OF FINANCIAL PROPOSALS BY PORTFOLIO	19-20 £m
Highways and Transport	0.17
Jobs and Growth	8.15
Environment	0.20
Children's & Families	3.90
Adult Care and Health	8.65
Finance and Resources	17.63
Leisure and Recreation Services	2.95
Housing and Planning	0.10
TOTAL	41.75

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COUNCILLOR PHIL DAVIES

CABINET

26 NOVEMBER 2018

**COUNCIL TAX 2019/20
(TAXBASE, DISCOUNTS AND
EXEMPTIONS AND COUNCIL TAX
SUPPORT SCHEME)**

Councillor Phil Davies, Leader said:

“In the face of such prolonged austerity policies from Central Government, it is vital we maximise council tax collection, so we can continue to fund the services which residents rely on every day.

“However, it is equally important we remember our values and our commitment to social justice and protecting the most vulnerable. I am incredibly proud we have been able to exempt all care leavers from paying council tax until they reach the age of 25. These young people deserve every bit of support we can give and I hope this gesture helps them as they build their lives and careers.

“I am also delighted we have been able to give Wirral Women’s and Children’s Aid a 100% discount on their Council Tax. This organisation does fantastic work in our borough, and it is right we do everything we can to help them continue.”

REPORT SUMMARY

This report brings together related issues regarding the proposed Council Tax Base for 2019/20 upon which the annual billing and Council Tax levels will be set; the proposed Council Tax Discounts including Local Discounts, exemptions for 2019/20 and the Council Tax Support Scheme to be used during 2019/20. These need to be approved by Council by 31 January 2019.

RECOMMENDATIONS

It is recommended that Cabinet recommend to Council

- 1 The figure of 93,497.8 be approved the Council Tax Base for 2019/20.

- 2 The level and award of each local discount for 2019/20 be:-

Wirral Women's & Children's Aid

To continue to award Wirral Women & Children's Aid 100% discount

Care Leaver's Discount

To award Care Leaver's the requisite discount to reduce their Council Tax liability to zero until they are 25, from 1st April 2019. This remains unchanged from 2018/19.

Empty Property Discounts

Discount category D = 0% Full charge on properties undergoing renovations.

Discount category C = 0% Full charge on empty properties from date they become unoccupied.

Both remain unchanged

Empty Property Premium = 200%. Unfurnished properties empty for more than two years. This is a change from 150% in 2018/19 allowed by the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

This change was reported in last year's report.

Council Tax Discretionary Relief Scheme

The Council Tax Discretionary Hardship Relief Scheme continues in its current format for 2019/20.

Council Tax Support Scheme

3. The Council Tax Support Scheme approved for use in 2018/19 is also approved as the Scheme for 2019/20 with additional amendments to incorporate the introduction of Full Service for Universal Credit, including backdating of reduction for up to 3 months.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1. The Council has to agree the Council Tax Base for 2019/20 by 31 January.
- 1.2. The Council has to decide on the level of Local Discounts by 31 January.
- 1.3. The Council has to determine annually the Local Council Tax Support Scheme for 2019/20.

2.0 OTHER OPTIONS CONSIDERED

- 2.1. In respect of the Council Tax Base this has to be set by 31 January each year and there are no other options.
- 2.2. The Local Discounts, Exemptions and the Council Tax Support Scheme are reviewed annually and could be amended which will have a financial impact for the authority as set out in this report.

3.0 BACKGROUND INFORMATION

- 3.1. The Council has a statutory duty to take decisions each year with regard to the administration of Council Tax which must be agreed by Council by 31 January.

COUNCIL TAX BASE 2019/20

- 3.2. The Authority is required to annually determine its Council Tax Base in order to determine the appropriate levels for Wirral, the Preceptor Authorities (Police & Crime Commissioner and Fire & Rescue Services) and the Environment Agency (Flood Defence). The Council Tax Base has a direct impact on the Council Tax that will be levied for Wirral for 2019/20 and the level of Revenue Support Grant received from Central Government.
- 3.3. This decision could be a delegated function but is to be considered by Cabinet and Council for 2019/20. The Council Tax Base must be agreed by 31 January 2019 and will be used to calculate the Council Tax charges for 2019/20.
- 3.4. The Tax Base calculation process is as follows;
 - Calculate the number of properties at September 2018 and adjust for changes due to demolitions and new builds up to 31 March 2020 which are then converted to a full year Band D equivalent. Adjust for discounts, exemptions and disabled relief and add in any changes expected over the year reflecting the Local Council Tax Support Scheme and changes to empty property discounts.

- Convert the number of “discounted” dwellings in each Council Tax Band to Band D equivalent;
- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year. The amended calculation is as below and will be utilised in calculating the Council Tax charge for 2019/20.

3.5 Forecast properties per Council Tax band within Wirral as at October 2018:-

Table 1: Wirral Council Tax Bandings Forecast

Band	Value (£)	Properties 2017	Change	Properties 2018	Band %	Ratio
A	<40,000	60,161	4	60,165	40.3	6/9
B	40,001-52,000	32,323	2	32,325	21.7	7/9
C	52,001-68,000	27,326	6	27,332	18.4	8/9
D	68,001-88,000	13,347	8	13,355	9	9/9
E	88,001-120,000	8,165	15	8,180	5.5	11/9
F	120,001-160,000	4,278	7	4,285	2.9	13/9
G	160,001-320,000	3,120	0	3,120	2.1	15/9
H	>320,000	262	2	264	0.1	18/9
Total		148,982	44	149,026	100.0	

3.6 The properties are converted to the Band D equivalent and adjusted for the Local Council Tax Support Scheme and other Council Tax Discount, Exemptions and Disabled Relief and adjusted by the Collection Rate to give the Council Tax Base.

Table 2: Wirral Council Tax Band D calculation 2019/20

Band	Properties 2018	Changes due to C Tax Support, discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	60,165	-24,608	35,557	6/9	23,704.7
B	32,325	-7,329	24,996	7/9	19,441.3
C	27,332	-4,055.6	23,276.4	8/9	20,690.1
D	13,355	-1,499.8	11,855.2	9/9	11,855.2
E	8,180	-719	7,461	11/9	9,119
F	4,285	-310.1	3,974.9	13/9	5,741.5
G	3,120	-65.5	3,054.5	15/9	5,090.8
H	264	-35.7	228.3	18/9	456.6
Band A Disabled (1/9 th of Band A)		76.5	76.5	5/9	42.5
Total	149,026	38,546.2	110,479.8		96,141.7
Collection Rate					x 97.25%
Adjusted Council Tax Base					93,497.8

- 3.7 The Collection Rate takes into consideration previous experience and current collection rates. An exercise has taken place analysing previous year's collection rates and it would now be prudent to increase the collection rate to 97.25%. This has been reflected in the setting of the Council Tax Base.
- 3.8 The Collection Rate is the rate that best reflects collection over more than just the current year and will therefore take longer than the financial year to achieve. All previous year collections have ultimately met or exceeded projections and this rate should be achieved for 2019/20.
- 3.9 The recommended figure for 2019/20 is 93,497.8. Compared to the 2018/19 figure of 92,255.9 this is an increase of 1,241.9.
- 3.10 The level of Council Tax is confirmed at Budget Council which for 2019/20 is scheduled for 4 March 2019.

COUNCIL TAX LOCAL DISCOUNTS & EXEMPTIONS 2019/20

- 3.11 Local Discounts and Exemptions are subject to an annual review and impact directly upon the Council Tax income being fully met by the Council. From 1 April 2013 the Council adopted 0% discount levels for empty properties and properties undergoing construction, where previously they had been exempt for 6 and 12 months respectively thus receiving a 100% discount. This report reviews these reduced discounts and increased charges and also the current levels of specific local discounts. Any amendment or granting of discount agreed as part of this report will come into force from 1 April 2019.
- 3.12. Local Discounts can be granted under Section 13a of the Local Government Act 1992. The Local Government Finance Act 2012 introduced changes in national Council Tax discounts and exemptions. These were considered and adopted for 2013/14 by Cabinet on 24 January 2013 and cover the level of discount awarded on empty properties and the premium charged on long term empties. Wirral chose to maximise the amount payable in each category and must review its charges each year.

A LOCAL DISCOUNTS - LOCAL GOVERNMENT ACT 1992

- 3.13 Local Discounts, as used by Wirral, are granted under Section 13a of the Local Government Act 1992 and reviewed annually.

Table 3: Local Government Act 1992 Local Discounts in Wirral

	£
Wirral Women & Children's Aid	4,045
Council Tax Discretionary Relief (Hardship)	50,000
Care Leaver's Discount	75,000
Total	129,045

Wirral Women & Children's Aid

- 3.14 Cabinet on 22 July 2004 awarded a local discount to Wirral Women's and Children's Aid. The discount leaving no Council Tax to pay, on the basis of the valuable work undertaken at the premises. The circumstances have remained unaltered and the cost of the award is currently £4,045. A decision is required as to whether this discount continues for 2019/20.

Council Tax Discretionary Hardship Relief

- 3.15 Regulations allow that a discount can be granted to an individual in case of extreme hardship and that is covered by the Council's Council Tax Discretionary Relief policy (minute 71, 10 October 2013) or a discount can be granted to all empty properties within a specific area, such as a clearance area. This can give more flexibility to the Council which has to fund any locally defined discounts. A decision is required as to whether Council Tax Discretionary Hardship Relief continues in its current format for 2019/20.

Care Leaver's Discount

- 3.16 A local discount will be awarded from 1st April 2019 removing the requirement to pay Council Tax from Care Leavers until they become 25, the discount is awarded after all other reliefs and discounts have been granted and recognises the financial burden that leaving care can cause.

B DISCOUNTS & EXEMPTIONS - LOCAL GOVERNMENT ACT 2012

- 3.17 The Local Government Finance Act 2012 introduced changes in national Council Tax discounts and exemptions which gave local authorities local discretion as to levels of discounts. These were considered and adopted by Cabinet on 24 January 2013 (minute 166) for the 2013/14 financial year and have continued in subsequent years. Wirral chose to maximise the charges it raises by minimising the discount awarded, i.e. 0%.

Table 4: Local Government Act 2012 Empty Property Discounts

Income from minimising discounts	£
Empty properties –unoccupied/renovation (Discount C+D) = 0%	2,500,000
Empty property – premium of 200%	880,000
Total	3,380,000

Empty Properties Discount

- 3.18 The changes allowed by the 2012 Act covered charges made against empty property and second homes. In broad terms this removed the exempt classifications A and C and allowed Councils to define their own level of discounts re-categorising them as discounts C and D. The Regulations also allowed Councils to apply a premium on properties that had been empty for more than two years with the maximum premium being 50% on top of the 100% Council Tax already levied. These powers have now been extended by the Rating (Property in Common Occupation) and Council Tax (Empty

Dwellings) Act 2018 to allow for a charge of 100% on top of the 100% Council Tax already levied.

- 3.19 Council chose to award 0% discount (Discount D) – full charge - on properties undergoing renovations (Exemption A) which were previously entitled to a 12 month exemption, or 100% discount. The major impact other than increased charges, based upon this change is that as there is no incentive to inform the Council Tax section that a property is undergoing major repairs.
- 3.20 Council chose to similarly award a 0% discount (Discount C) – full charge - on empty properties that had previously been exempt for the first six months that they were empty, or 100% discount. This has received the most negative comments in our contacts. Disputes have increased between tenants and landlords as to the date a tenant left the property. Previously as there was a six month exemption neither party was immediately liable as Council Tax was not payable and the majority were able to be adequately resolved. The charge is levied now from day one and disputes often occur which have to be resolved by Council Tax staff. This maximisation of charges is anticipated to raise an additional £2,500,000 in Council Tax during 2019/20.
- 3.21 A further issue for landlords is that this immediate charge does not give any opportunity to “turn a property around” for a new tenant to take over without incurring a Council Tax liability. Landlord representative’s state they are denied rental income whilst readying a property for a new tenant but are charged full Council Tax in that time. If the Council were to grant a 100% discount for the first month that a property became empty this would clearly alleviate some of the problems mentioned. However if this proposal from landlords was implemented then this would cost an estimated £400,000 in lost potential Council Tax income. This has not been recommended.
- 3.22 The report recommends that the Council uses its powers to charge the maximum amount of Premium on properties that had been empty for more than two years which will be 200%. The aim is to encourage prompt property re-occupation and discourage properties being held empty by speculators waiting for an increase in values. To remove the Premium would cost £880,000 in lost potential Council Tax income if property eligibility levels in 2019/20 are the same as in the previous year.

COUNCIL TAX SUPPORT SCHEME

- 3.23 In April 2013 the Government replaced the national Council Tax Benefits Scheme with a localised scheme of support which would be set and administered by each Council to support people on low income. Certain national parameters remain such as previous levels of support must continue for pensioners and vulnerable people as defined by each Council. Wirral’s Council Tax Support Scheme is largely based on the previous Council Tax Benefit Scheme. The Scheme must be approved by each year prior to the year it will be applied.

- 3.24 Central Government abolished Council Tax Benefit (CTB) on 31 March 2013 and tasked each administering Council to formulate an individual Local Scheme to replace it. At the same time Central Government reduced the grant they awarded to Councils for CTB by 10%. The Government also stated that any local Council Tax Support Scheme (CTS) devised should leave pensioners no worse off than they were under the 2012/13 CTB scheme. The option was also given to define vulnerable groups and offer the groups the same level of protection as pensioners. Wirral designated persons classed as disabled or with disabled children as vulnerable in 2013/14.
- 3.25 At 31 October 2018 there were 31,877 Council Tax Support claimants in receipt of Council Tax Support totalling £27.87m.

Table 5: Council Tax Support Scheme claimants at 31 October 2018

By category	Numbers	% of total
Pensioners	12,968	41%
Vulnerable Groups	10,160	32%
Working Age	8,749	27%
Totals	31,877	100%

- 3.26 Having regard to the financial pressures Council resolved, on 28 January 2013, that it could not find funding from its existing budgets to make up the shortfall caused by the governments changes and decided to pass on the reduction to Council Tax Support recipients that resulted in non-vulnerable working age claimants paying a minimum of **22%** of the Council Tax charge. This decision was supported by both the Council's "What Really Matters" consultation scheme and the separate consultation scheme on the Council Tax Support Scheme.
- 3.27 The response to the Council Tax Support (CTS) Scheme has seen a minimum number of appeals against the decisions that Council officers have had to make.
- 3.28 Council Tax payment levels of CTS recipients were anticipated to be lower than the main level, projecting a 74% collection rate on these specific sums. Thus far actual is in line with projections.
- 3.29 The current scheme has been reviewed by officers and consideration has been given to include or exclude different income types on a full or partial basis, cap the level of Council Tax Support Scheme to a particular Band, residency timescales, deduction levels for additional occupiers, capital limits, taper levels, changes to vulnerable groups and a banded scheme. This list is not exhaustive but indicative of the areas reviewed. After 6 years of the scheme it is felt no substantive eligibility criteria should be altered, except that the scheme be updated to recognise that Universal Credit moves to full service in November 2017 and the scheme is to be retained for the 7th year 2019/20. A report will be submitted to Cabinet with a recommendation that a full review of the scheme is carried out in 2019.

- 3.30 While the impact on individuals undoubtedly has been considerable the local elements or variances within the scheme were not disproportionate in their effect. The retention of the vulnerable group and qualifying criteria are as fair and equitable as could be put forward balancing this against the financial impacts that face the authority.
- 3.31 Wirral's Council Tax Support Scheme is largely based on the previous national Council Tax Benefit scheme and its calculations mirror Housing Benefits to build up an entitlement for support. These include applicable amounts, premiums, disregards and non-dependant deductions. The Scheme, its impacts and costs are continually monitored and need to be annually reviewed and approved prior to the year it will be applied.

4.0 FINANCIAL IMPLICATIONS

- 4.1. The Council Tax Base is used to calculate Council Tax levels for 2019/20. Failure to comply with timescales could delay Council Tax bills with the potential to affect collection and cash-flow. On the assumption that the levels of support under the Local Council Tax Support Scheme and the Discounts and Exemptions are adopted the increase in the Council Base from 2018/19 to 2019/20 will result in increased Council Tax income of approximately £2.1m in 2018/19. Wirral's share of the precept after the non-collection allowance is applied will be £1.8m.
- 4.2. For Local Discounts variations to the discount levels will either generate additional or less income. The cost of local discounts are met in full by the Council and do not impact upon the Council Tax Base. Any saving to the Council will result in an increase in the amount payable by the charge payer.

Table 6: Local Government Act 1992 Local Discounts

	£
Wirral Women & Children's Aid	4,045
Council Tax Discretionary Relief (Hardship)	50,000
Care Leaver's Discount	75,000
Total	129,045

Table 7: Local Government Act 2012 Empty Property Discounts

Income from minimising discounts	£
Empty properties –unoccupied/renovation (Discount C+D) = 0%	2,500,000
Empty property – premium of 200%	880,000
Total	3,380,000

- 4.3. For 2019/20 the Council Tax Support Scheme will be retained. The estimated value of the support provided will be in the region of £29m million based on the current number of claimants.

5.0 LEGAL IMPLICATIONS

- 5.1. The legislation requiring this calculation is the Local Authorities (Calculation of Council Tax Base) Regulations 1992. This requires the Authority to declare,

by means of Council resolution, the Tax Base it will use to calculate the tax level and this resolution must be no later than 31 January in the year preceding the tax.

- 5.2. This decision, could be delegated under Section 84 of the Local Government Act 2003, amended Section 67 of the Local Government Finance Act 1992, such that a full Council meeting is no longer required to adopt the Council Tax Base. The Council could then delegate the Tax Base determination function in accordance with Section 101 of the Local Government Act 1972.
- 5.3. Publication of the Council Tax Discounts and Exemptions and the Council Tax Support Scheme for 2019/20 is required by 31 January 2019.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

- 7.1. If the Council Tax Base figure is not declared by 31 January 2019 the Council and Preceptor Authorities will be unable to make considered budgetary decisions that could delay the Council Tax bills and income streams for 2019/20.
- 7.2. In respect of Local Discounts and Exemptions the changes made to domestic empty property charges raised anticipated collection in excess of £3.3m million. Given the nature of the charges, the policy whilst raising additional revenue is likely to reduce the overall average collection rate. On a simple comparison of collection rates without the context, this would make Wirral look less effective at collection than those authorities offering more generous discounts and applying no empty property premiums. Any changes to the current level of discounts or reduction to the empty premium would see a reduction in Council Tax raised and the income lost would have to be replaced by an alternative income stream.
- 7.3. That the Council Tax Support Scheme will give a reduced level of support to people and increases their risk of further financial hardship. For the Council this Scheme has the capacity to be a growth item and impact on its overall budgetary position because if the decision is taken to raise the amount of support given then the cost of the Scheme rises.

8.0 ENGAGEMENT/CONSULTATION

- 8.1. No consultation is required in the calculation of the Tax Base. The Discount and Exemptions are proposed to be maintained at the previous year's level and no direct consultation has been undertaken on discount levels. The level of changes for discounts and exemptions were consulted upon in 2012/13 and no specific consultation has been undertaken as they are not proposed to be changed. The Council Tax Support Scheme similarly stays unaltered in its

Scheme rules and as such this does not require formal consultation as was undertaken prior to its introduction.

9.0 EQUALITY IMPLICATIONS

- 9.1. The link to the Equality Impact Assessments for the Discount and Council Tax Support Scheme
<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-15-0>

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REFERENCE MATERIAL

Department for Communities and Local Government; - Council Tax (CTB1) form and accompanying documentation.

Local Government Finance Act 1992, 2003 and 2012.

Valuation Office Agency - Valuation List.

Welfare Reform Act 2012.

Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012.

SUBJECT HISTORY

Council Meeting	Date
Cabinet	9 December 2014
Cabinet	17 December 2015
Cabinet	8 December 2016
Cabinet	27 November 2017

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CLLR JANETTE WILLIAMSON

CABINET
26 NOVEMBER 2018

WIRRAL COUNCIL COMMERCIAL
STRATEGY

Councillor Janette Williamson, Cabinet Member Finance & Resources, said:

“Wirral Council, together with the majority of Labour councils, particularly in the North, is facing a hugely challenging financial future. The combination of sustained austerity, with reducing central government grant (ending in 2020/21), and increasing financial demands, is making us address questions about the long term sustainability of all services arranged by the Council. If we are to continue to meet the demands of our residents in service areas such as children’s and adult social care, we must increase the revenue coming into the Council through becoming more commercial. Our commercial strategy will enable us to cope with the challenges of austerity and deliver the high quality services that are vital to our residents. This is about being more business minded in order to continue to serve the needs of Wirral residents.

Commercial activity is not new to us. Wirral currently operates commercial services in a range of diverse sectors including leisure, theatre events, car park charging, garden waste and services to schools directly from the Council. What has been needed is a coordinated approach across the Council looking within for the expertise to drive this forward.

This Commercial Strategy aims to take a commercial approach to service design, management and decisions, encouraging innovation whilst optimising assets and services to exploit opportunities to generate income surplus for reinvestment and reduce costs. An important element of the Commercial approach is finding the right balance between our public sector ethos and delivering social value and our commercial practices, ensuring we meet our pledges, to improve the lives of Wirral residents supporting local businesses, as well as increasing income and opportunity.”

REPORT SUMMARY

Our Medium Term Financial Strategy 2019/20-2022/23 (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.

A key approach in the MTFS is to increase income for the Council. To deliver this increase in income and become more commercial requires a fundamental change in how we do business.

This commercial strategy is one element of this change. Our approach to becoming more commercial is not about simply charging more for our services, it is not about becoming purely profit driven, it is about making our organisation more business-like, more able to take advantage of commercial opportunities which will benefit our borough, and our residents.

RECOMMENDATION/S

- (1) That Cabinet approve the Wirral Council Commercial Strategy contained at Appendix 1 of this report.

- (2) That Cabinet endorses the recommendations of the Business Overview & Scrutiny Committee on 18th September 2018:
 - i) That to acknowledge the importance of Wirral's commercial approach moving forward, it is recommended that Member development should also include commercialisation training.

 - ii) That the Business Overview & Scrutiny Committee should receive presentations by the Investment and Change Board and the New Commercial Ideas Panel as part of its work programme to understand how they operate and to scrutinise their effectiveness.

 - iii) That the Business Overview & Scrutiny Committee should receive quarterly reports detailing the progress made to deliver the Council's Commercial Strategy. This should include reporting on income received under its remit and details of whether targets have been met or not.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The Council's Commercial Strategy has been developed to support the outcomes from the MTFS through income generating opportunities. The Commercial Strategy sets out how the Council, will secure the delivery of high quality and value for money services to support the Wirral Plan by being customer focussed, innovative, and entrepreneurial. The Commercial Strategy highlights the governance arrangements in place to:

- Evaluate and potentially approve opportunities related to commercial growth and new commercial ventures.
- Monitor, challenge and support existing income generating services within the Council to become more efficient and secure greater income.

2.0 OTHER OPTIONS CONSIDERED

2.1 Wirral continues to progress a range of measures including recommissioning, contractual negotiation and service re-design to develop its approach to the medium term budgetary pressures it faces. This is in order to maintain a financially sustainable future and meet the pledges outlined in the Wirral Plan. One of the principles is the commercial strategy. As such this is therefore, one of a number of options being developed to respond to the Councils financial challenges

3.0 BACKGROUND INFORMATION

3.1 The Council, together with the majority of Local Government, is facing a challenging financial future. The mix of austerity, with reducing central government grant, and increasing financial demands is making the Council address questions about the long term sustainability of all the services arranged by the Council.

3.2 Council agreed the Commercial Strategy's vision and principals in June 2016 through Cabinet. As well as generating more income to support the financial challenges faced by the Council, the aim was to make Wirral more business-like and more able to take advantage of commercial opportunities to benefit the Borough residents and businesses.

3.3 The Cabinet Report in June 2016 details how the Council needs to modernise and work in new ways to deliver the 2020 vision for Wirral and also highlights a requirement for a commercial approach to be adopted. Specifically looking at opportunities for the Council to generate income, maximise assets and reduce pressure on service delivery.

3.4 The vision and principals for the commercial approach aim to balance the public sector ethos and Wirral's commercial practices, ensuring the Wirral Plan pledges are met to improve the lives of Wirral residents, as well as increasing income. The vision – agreed by Cabinet – states:

“Wirral Council will take a customer focussed, innovative, commercial and entrepreneurial approach to secure the delivery of high quality and value for money services to support the Wirral Plan”

3.5 To underpin the vision, the following key principles have been developed;

- AIM - Maximise charging, trading, assets and investment opportunities to generate income, surpluses and reduce costs.
- STRATEGY - To develop and implement a plan that will transform the operation of the Council into a business that takes a commercial approach to ensure that we are more flexible, more efficient, more effective and will ensure we deliver better and sustainable outcomes for local people.
- CUSTOMERS & MARKETS - To provide goods, services, and works to Wirral residents and other public organisations and operate within a complex model of multiple markets, rather than a single service model, within a social value ethical framework.
- CULTURE - Foster and embed an innovative and commercial approach through a commercial development programme across the Council.
- SUPPORT TO SUCCEED - Provide rigorous, flexible processes and support services that promote and develop commercialism.

4.0 FINANCIAL IMPLICATIONS

4.1 Our MTFS 2019/20-2022/23 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.

4.2 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.

4.3 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. A key approach in the MTFS is to increase income for the Council.

5.0 LEGAL IMPLICATIONS

5.1 The Council has powers to charge for services and in certain circumstances to trade. This may require different delivery models, specific commercial projects will be examined to ensure that they are within the Council's powers. As projects to deliver the strategy are developed the legal implications will be identified as part of the project plan.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 This report has implications relating to workforce development. Delivering our ambitious plans for the future will require a fundamental shift in how we do business

and a change in culture. The new operating model is designed to move us towards that new culture, values and behaviours where we think commercially and design our approach based on outcomes for residents, around partnerships, insight and evidence – working to achieve a new Wirral, where all public resources and activity are invested in achieving the vision we set in the Wirral Plan.

6.2 This will require individual and organisational development around commercial thinking including intrapreneurialism (innovation and progressive change within an organisation). We will develop the skills of our workforce and it will also influence the skills that we require in the people that we recruit in future into key roles and in the partnerships that we develop. So far this has included:

- Intranet support site for commercial approach launched
- E-Learning modules developed
- Training packages for managers and above
- Network meetings for commercial leaders and managers

6.3 This report does not have any direct implications relating to ICT or Assets.

7.0 RELEVANT RISKS

7.1 Management of risk is central to our commercial approach and all potential activities will be assessed with due regard to the risks being taken. This will be in line with the Council's corporate approach to risk management including review of risk frequency.

8.0 ENGAGEMENT/CONSULTATION

8.1 As part of the Business Overview & Scrutiny Committee's Work programme for 2018/19, it was agreed to undertake pre-decision scrutiny of the Council's Commercial Strategy before it is submitted to Cabinet for approval. As a result, a scrutiny workshop was held on 20th August 2018 and was open to all Overview & Scrutiny Committee Members.

8.2 A presentation was delivered by the Cabinet Member for Finance and Resources and Stuart Bellerby, Senior Manager (Commercial Approach) before the session was opened up for Member questions. A summary of the outcomes from the workshop are detailed in the report in Appendix 2. This report along with the recommendations was taken to Business Overview & Scrutiny Committee on Tuesday 18th September 2018. The outcome from this Committee on this item was:

Resolved – That the contents and recommendations arising from the Commercial Strategy Scrutiny Workshop be supported as follows:

(1) That officers and Cabinet consider the content of this report prior to approval of the Commercial Strategy.

(2) To acknowledge the importance of Wirral's commercial approach moving forward, it is recommended that Member development should also include commercialisation training.

(3) The Business Overview & Scrutiny Committee should receive presentations by the Investment and Change Board and the New Commercial Ideas Panel as part of its work programme to understand how they operate and to scrutinise their effectiveness.

(4) The Business Overview & Scrutiny Committee should receive quarterly reports detailing the progress made to deliver the Council's Commercial Strategy. This should include reporting on income received under its remit and details of whether targets have been met or not.

9.0 EQUALITY IMPLICATIONS

9.1 The potential impact has been reviewed with regard to equality and the impact assessment will be published on the Council website.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/business>

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APPENDICES

Appendix 1 – Commercial Strategy

Appendix 2 - Report of the Business Overview & Scrutiny Committee (Aug 2018)

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Business Overview & Scrutiny Committee - Scrutiny Report on Workshop on Commercial Strategy	Tuesday 18 th September 2018
Cabinet - Developing our Commercial Approach	Monday 27 th June 2016

WIRRAL COUNCIL COMMERCIAL STRATEGY

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FOREWORD

We have made a commitment to Wirral residents that we will achieve all 20 of our Pledges for 2020. Despite our ongoing financial reductions, it is a commitment which we are determined to meet.

The Council, together with the majority of Local Government, is facing a challenging financial future. The mix of austerity, with reducing central government grant, and increasing financial demands is making the Council address questions about the long term sustainability of all the services arranged by the Council.

To get there requires a fundamental change in how we do business. This commercial strategy is one element of this change. Our approach to becoming more commercial is not about simply charging more for our services, it is not about becoming purely profit driven, it is about making our organisation more business-like, more able to take advantage of commercial opportunities which will benefit our borough, and our residents. We have defined commercial as:

Maximise charging, trading, assets and investment opportunities to generate income, surpluses and reduce costs.

It is about having a private sector head, with a public sector heart. It is on this principle that we will begin to change how the Council thinks and behaves, making sure that every possible opportunity to drive up income and root out inefficiency is identified and maximised. The ideal scenario is investing to earn with a financial and social return.

Our Commercial Strategy aims to take a commercial approach to service design, management and decisions, encouraging innovation whilst optimising assets and services to exploit opportunities to generate income surplus for reinvestment and reduce costs. An important element of the Commercial approach is finding the right balance between our public sector ethos and delivering social value and our commercial practices, ensuring we meet our pledges, to improve the lives of Wirral residents supporting local businesses, as well as increasing income and opportunity.

Commercial activity is not new to us. Wirral currently operates commercial services in a range of diverse sectors including leisure, theatre events, car park charging, garden waste and services to schools through a Community Interest Company (Edsential). This strategy will consolidate our existing commercial activity and provide a structured corporate framework for commercial projects and all future commercial activity. This will include links to the new Wirral Growth Company. We're delivering a new regeneration vision for Wirral and a new dynamic organisation to deliver it. This is a new way to deliver regeneration through a joint venture with a leading development and investment partner with the skills, track-record and resources we need to drive future growth and prosperity. The creation of a joint venture property company – Wirral Growth Company – will bring new expertise, new ideas and new investment to Wirral.

INTRODUCTION

What we know

Financial

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 becoming progressively more challenging.

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 Budget Gap	45	17	3	2

Our Medium Term Financial Strategy 2019/20-2022/23 (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.

A key approach in the MTFS is to increase income for the Council and two key themes within this are:

Fees and charges

- 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.

Treasury Management

The Treasury Management Strategy sets out the expected treasury operations for 2018-2021, linked to the Council's MTFS, Capital Strategy, Asset Management Plan and the Wirral Plan. It is inextricably linked to delivering the Council's priorities and strategy. Key strands include:

- 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.

Wirral Plan

In order to achieve the ambitions of the Wirral Plan we are committed to delivering a modern public service, organising ourselves to deliver our aims and recognising the need for the Council to be much more commercially focused, harnessing the spirit and practices of commerce to secure outcomes for residents. This will mean leveraging greater value from assets and resources as well as maximising commercial opportunities and income generation through a range of service models delivered within a public sector ethos. This Strategy is important as it will provide a commercial framework, promote innovation and ensure cost effectiveness through contract and service review and support the growth plan.

The Wirral Plan highlights that we must become an innovative outward looking organisation that is responsive to new technologies, to cultural and societal change, and to the evolving needs of Customers in order to achieve its objectives. Many Local Councils are leading the way, demonstrating resourcefulness and initiative to rise to the challenges that communities face.

Our commercial success to date

We currently operate commercial activities in a range of diverse sectors including, leisure, theatre events, garden waste and services to schools. This range of activities, including income generated through fees and charges, is estimated to bring in annual income for 18/19 of around £38m. Where there is not an agreed subsidy from the Council to cover core Council functions, the income generating services are expected to at least break even.

We have also successfully created some local authority trading companies, which is very much in line with a developing trend in local government of more Council owned trading companies. As trading bodies, they can provide their services to a much wider market than a council department. Local authority companies represent alternative service delivery vehicles and exist alongside in-house delivery, trusts, social enterprises, outsourcing and other delivery models, but with particular emphasis on the concept of trading. The advantages of such operations are that a local authority can only enter into trading in the wider commercial market through a company. An example is Edsential, established in December 2015, a community interest company established and jointly owned by Wirral Council and Cheshire West and Chester Council to provide traded services to the Education sector.

The financial context, as stated before, in which we operate means that we already undertake a range of activities to generate income and make savings. These range from sharing services with other Councils, traded services to commercial activities such as Leisure services. Without these we would have had to make even more efficiency savings.

VISION

An important element of the commercial approach is finding the right balance between our public sector ethos and our commercial practices, ensuring we meet our pledges, to improve the lives of Wirral residents, as well as increasing income and delivering social value. This is reflected in the commercial approach vision and principles.

To define our Commercial approach the following vision has been adopted by the council;

'Wirral Council will take a customer focussed, innovative, commercial and entrepreneurial approach to secure the delivery of high quality and value for money services to support the Wirral Plan.'

To underpin this strategy the following key principles have been developed;

- **Aim** - Maximise charging, trading, assets and investment opportunities to generate income, surpluses and reduce costs.
- **Strategy** - To develop and implement a plan that will transform the operation of the Council into a business that takes a commercial approach to ensure that we are more flexible, more efficient, more effective and will ensure we deliver better and sustainable outcomes for local people.
- **Customers & markets** - To provide goods, services, and works to Wirral residents and other public organisations and operate within a complex model of multiple markets, rather than a single service model, within a social value ethical framework.
- **Culture** - Foster and embed an innovative and commercial approach through a commercial development programme across the Council.
- **Support to succeed** - Provide rigorous, flexible processes and support services that promote and develop commercialism.

Management of risk is central to our Commercial approach and all potential activities will be assessed with due regard to the risks being taken

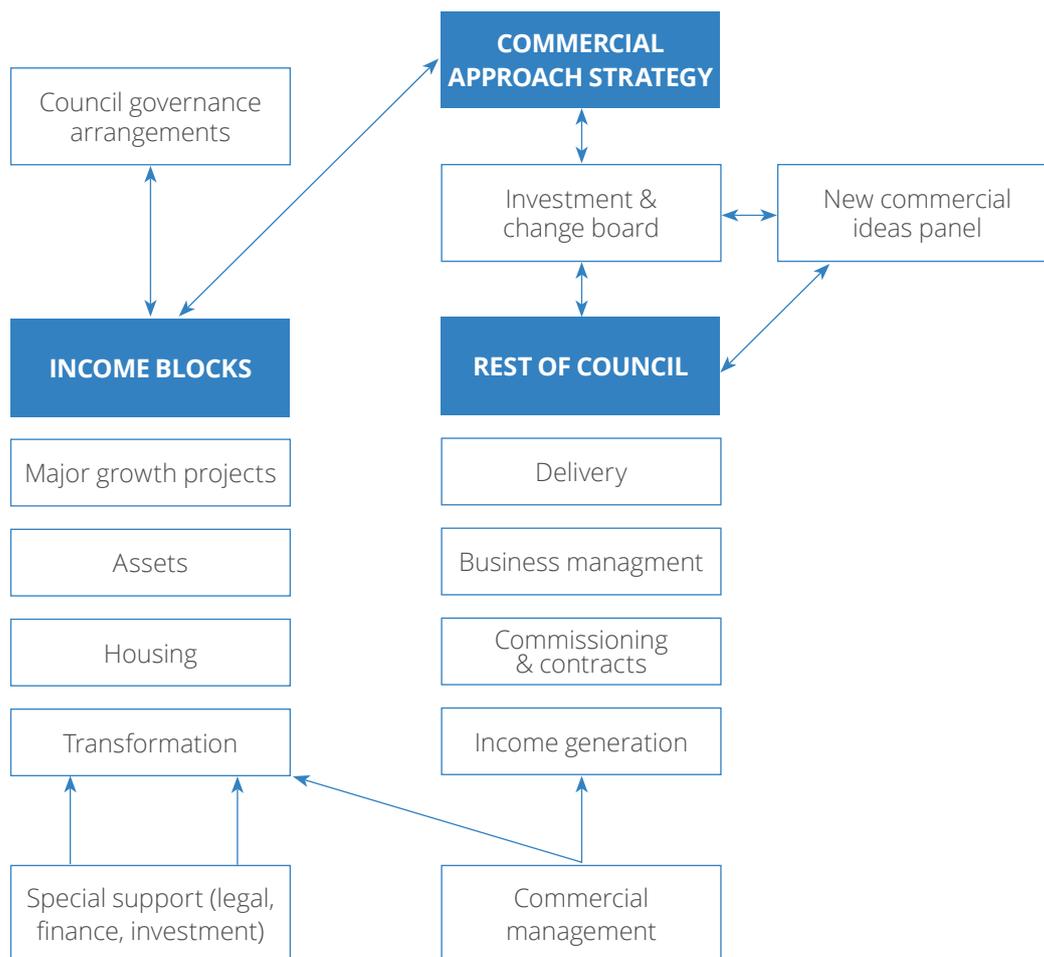
In order to achieve the joined up and efficient delivery of this vision, the commercial strategy will align with the overall Council strategy and other relevant financial strategies, such as the MTFs, to support the delivery of the Wirral Plan

THE SCOPE OF OUR COMMERCIAL APPROACH

Governance

Commercial development across the Council will be overseen by the Investment and Change Board ensuring the delivery of the Commercial Approach Strategy.

Commercial Approach Strategy Alignment



The New Commercial Ideas Panel reports into the Investment and Change Board and the remits of the Panel are:

- New Commercial Opportunities.
- Council commercial activity oversight.
- Commercial intelligence.
- Promoting commercial successes.

Customers and markets

We already operate a wide variety of commercial activities across a range of customers and markets. These are mainly focused across the Council footprint to a range of customers including residents, businesses and other public sector organisations, with some income generated from members of the public and businesses and other public sector organisations beyond the Council boundaries.

If we are to realise the ambition of this commercial strategy then for all current income generating services and future new services and investment opportunities, we will need to increase and maximise income from our customers and markets.

We also need to ensure all services are customer focused and we will achieve this through establishing core customer focus principles that all services adhere to.

Overall approach to customers and markets

New customers and markets	Maturity of market	Due diligence through new commercial governance arrangements
Existing customers and markets	Retain and grow customer base and cross sell	Ability to sell on from existing services
	Existing services and investments	New services and investments

Commercial Opportunities

Understanding and prioritising the best opportunities available to us is the key to the success of this Commercial Approach. This will include reviewing existing commercial activity for costs, quality and value for money. Also we will establish a new commercial ideas framework to ensure new innovative commercial ideas are encouraged, evaluated and where prudent supported to deliver.

What success will look like

The overall expected outcomes from our commercial approach are:

- Initial financial expectations are £1 million surplus per year from the commercial approach for the next three years from 18/19.
- Introducing and embedding a more commercial culture across Wirral Council.

Culture

Delivering our ambitious plans for the future will require a fundamental shift in how we do business and a change in culture. The new operating model is designed to move us towards that new culture, values and behavior's where we think commercially and design our approach based on outcomes for residents, around partnerships, insight and evidence – working to achieve a new Wirral, where all public resources and activity are invested in achieving the vision we set in the Wirral Plan.

This will require individual and organisational development around commercial thinking including intrapreneurialism (innovation and progressive change within an organisation). We will develop the skills of our workforce and it will also influence the skills that we require in the people that we recruit in future into key roles and in the partnerships that we develop.

Risk management

The risks and issue management will be done in line with the Council's Risk Management Policy.

Legally compliant

There is complex legislation and case law that governs local government's ability to generate income. This includes trading in services to make surplus and the recovery of part (contribution) or the whole of the cost of a service through charging.

We will need to make sure that its commercial activities are legally and state aid compliant, including having consideration of the Public Sector Duty within the Equality Act 2010. Also following The Prudential Code for Capital Finance in Local Authorities.

Where necessary specialist external advice will be sought to inform sound decision-making.

ACTION PLAN

What do we need to do?

- **Growth** - Identify, support and build new innovative commercial ideas and develop a coordinated approach to maximise high quality value for money income generation opportunities to a wider business-to-business client base, which includes trading our services to Partner organisations and other LA's.
- **Income & debt management** - Introduce a new way of working that is fit for purpose for a future Revenues and Benefits service aligned to the Council's corporate vision. The ultimate objective is to increase revenue and reduce overall cost to serve and future proof the function as part of a new and enhanced Transaction Centre operating model.
- **Fees and charges** - Develop more robust and rigorous customer focussed approaches to income generation through financial management and modelling. This will include a focus on the profit and loss of current commercial activities and full cost recovery of non-trading statutory services.
- **Investments** - Through effective Treasury Management consider and develop appropriate investment opportunities. We will understand how traditional and alternative financial instruments will fund new options.
- **Culture** - Embed a more entrepreneurial commercial culture across Wirral Council through effective support, challenge and CPD. This will include, Commercial Skills training; intranet resources; e-learning modules; commercial networks.



COMMERCIAL STRATEGY

Scrutiny Report of the Business Overview & Scrutiny Committee

August 2018



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1. INTRODUCTION

- 1.1 As part of the Business Overview & Scrutiny Committee's Work programme for 2018/19, it was agreed to undertake pre-decision scrutiny of the Council's Commercial Strategy before it is submitted to Cabinet for approval. As a result, a scrutiny workshop was held on 20th August 2018 and was open to all Overview & Scrutiny Committee Members.
- 1.2 A presentation was delivered by the Cabinet Member for Finance and Resources and Stuart Bellerby, Senior Manager (Commercial Approach) before the session was opened up for Member questions. A summary of the outcomes from the workshop are detailed in this report.

2. DEVELOPING THE COMMERCIAL APPROACH AND STRATEGY

- 2.1 Council agreed the Commercial Strategy's vision and principals in June 2016 through Cabinet. As well as generating more income to support the financial challenges faced by the Council, the strategy's aim was to make Wirral more business-like and more able to take advantage of commercial opportunities to benefit the Borough and residents.
- 2.2 The Cabinet Report details how the Council needs to modernise and work in new ways to deliver the 2020 vision for Wirral and also highlights a requirement for a commercial approach to be adopted. Specifically looking at ways Wirral can generate income, maximise assets and reduce pressure on service delivery.
- 2.3 The Medium Term Financial Strategy 2016-21 was agreed and adopted by Council on 3rd March 2016. This included the development of a commercial approach as one of the Council's Financial Strategy Principles.
- 2.4 The vision and principals for the commercial approach aim to balance the public sector ethos and Wirral's commercial practices, ensuring the Wirral Plan pledges are met to improve the lives of Wirral Residents, as well as increasing income. The vision – agreed by Cabinet – states:

"Wirral Council will take a customer focussed, innovative, commercial and entrepreneurial approach to secure the delivery of high quality and value for money services to support the Wirral Plan"

- 2.5 Underpinning the strategy, the following key principals were developed:

AIM - Maximise charging, trading, assets and investment opportunities to generate income, surpluses and reduce costs.

STRATEGY - To develop and implement a plan that will transform the operation of the Council into a business that takes a commercial approach to ensure that we are more flexible, more efficient, more effective and will ensure we deliver better and sustainable outcomes for local people.

CUSTOMERS & MARKETS - To provide goods, services, and works to Wirral residents and other public organisations and operate within a complex model of multiple markets, rather than a single service model, within a social value ethical framework.

CULTURE - Foster and embed an innovative and commercial approach through a commercial development programme across the Council.

SUPPORT TO SUCCEED - Provide rigorous, flexible processes and support services that promote and develop commercialism.

- 2.6 The Cabinet report set out the requirements for a new approach to enable the Council to become a more commercial organisation as well as setting out the strategic vision and principals to govern the Commercial Strategy.

3. SUMMARY OF WORKSHOP FINDINGS AND OBSERVATIONS

3.1 The Council's Medium Term Financial Strategy (MTFS) 2019-23 – agreed in July 2018 - sets out the national picture for local government and key questions from this document were adapted and used to support discussion for the workshop. THE MTFS states:

“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.”

3.2 It was explained to Members that the MTFS for 2019 -2023 has a much greater emphasis on income generation than in previous years, with four main areas identified for increasing income:

- Council Tax base
- Business Rate base
- Fees and Charges
- Treasury Management

3.3 In developing a commercial strategy for Wirral, Members were assured that other local authority strategies were reviewed to understand their commercial approach and what aspects could be adopted by Wirral. In particular, Warrington, Nottingham and Harrow were noted to be good strategies. National literature has also been consulted, including the Local Government Association's 'Enterprising Councils – Supporting Councils income generation activity'.

3.4 The commercial approach and strategy alignment is shown in Appendix 1. This makes a distinction between what the Commercial Strategy is about, and what it is not about. Existing major projects, such as Wirral Growth Company and transformation projects are reported to continue with their own governance arrangements and any other layers of bureaucracy are deemed to be unnecessary.

3.5 Fees and Charges

Members were informed that there is an expectation that the Council will generate £1 million per year through its commercial approach. Most of this will be generated through fees and charges. Members emphasised that it is critical that income from existing services which are provided is maximised, including the collection of income from services and activities where it is known that this may not always be the case.

3.6 It is understood that in the last 18 months, all fees and charges have been challenged through reviews. Relevant service managers have also been challenged around setting the right fees and charges but, importantly, ensuring that volume is also considered to ensure the customer base is not lost. The emphasis, therefore, has been to concentrate on income and not necessarily the fees and charges and this approach was acknowledged by Members.

3.7 Property Investment

Members were presented with annual statistics from government to the end of March 2017 showing that total local government borrowing is £92.2 billion with total investment of £33.1 billion. Research carried out highlighted the growing trend in investment in property which a

third of councils have done so since 2010 and with a reported spending of £2.4 billion between them. (Commercial Healthcheck – Grant Thornton, 2018).

3.8 Concerns were raised in relation to how the Council would invest in property as part of its Commercial Strategy moving forward to maximise commercial returns. In particular, how this would be achieved with the Council selling some assets for capital receipts. However, it is understood that the strategy would look at investment for both residential and commercial properties and that each property - whether owned or invested in - would be considered as part of a more commercial approach as to whether it is sold or not. Members noted that although some local authorities look in their own locality as part of their growth agenda, others may look outside their boundaries to identify properties. However, it was reported that government is looking at prohibiting local authorities from borrowing from the public sector to invest outside of their boroughs.

3.9 Business Rates

To generate more income from business rates, there is a need to encourage business growth in Wirral. The provision of business rates relief was identified by Members as having an impact on trying to maximising income as the Council moved to 100% retention of business rates. Liverpool City Council was cited as an example of some businesses being initially exempt from business rates for a period of time. It is acknowledged, however, that Wirral offers exemptions to businesses below a certain value to encourage start-ups in low value properties. Although it is reported that Wirral Council has a high collection rate, Members had a longer-term view that generating significant income through business rates could be challenging.

3.10 Members also highlighted that rent of properties may present more of an obstacle for small business than business rates and the impact this has on growth. Although this is more relevant to the Council's growth agenda, officers will be encouraged to have a more business-like approach as part of the commercial approach going forward.

3.11 Development of new commercial ideas and opportunities

Examples of commercial successes from other local authorities were highlighted to Members. These included:

- Nottingham – Embedding a more business-like approach across the Council's workforce and businesses which has generated several million in increased revenue.
- North Lincolnshire – Commercial services provided include construction and site management services, arboriculture and landscaping and procurement consultancy.
- Buckingham County Council – Established 'Buckingham Law Plus' which delivers legal services to local authorities and wider public sectors.

3.12 Although Members acknowledged the commercial successes delivered by other local authorities, it was highlighted that Wirral's strategy should identify what it has to offer and what makes Wirral unique to maximise income. This includes its coastline that links to the tourism and leisure industry. Members also highlighted the need to not just rely on a captive customer base but to draw people in from outside the Borough. The return of the Giants to Liverpool and Wirral was an example presented to Members of how the strategy will be applied to maximise income from the event.

- 3.13 To draw people in to Wirral, which Members recognised as a challenge, it was explained that there is a need to look at existing infrastructure, business, assets etc. and what will work best for Wirral.
- 3.14 Members recognised that the need to generate new commercial ideas was pivotal to the success of the strategy to maximise income. It is also important to have the right culture embedded across the council, with staff having the right knowledge and expertise. Members highlighted the challenge of how to incentivise staff to generate ideas and heard that the lack of formal mechanisms previously by which new commercial ideas can be considered and ratified had been an issue.
- 3.15 It was reported that an Investment and Change Board has now been established and will look at many of the bigger projects. Additionally, underneath this, there is a New Commercial Ideas Panel which is chaired by officers and has been in existence for a few months. The objective is to encourage staff to present new ideas to the Panel. Both the Board and Panel currently meet on a monthly basis to encourage staff to present any new ideas. Although Members welcomed these arrangements, it was agreed that the Overview & Scrutiny Committee could receive presentations from both the Investment and Change Board and the Commercial Ideas Panel to better understand how they operate and to receive an up to date position on what has been achieved.
- 3.16 The Senior Manager for Commercial Approach acknowledged that many ideas will need investment and up to £25K can be considered by the New Commercial Ideas Panel but Members were assured that the business case has to identify how this will be paid back as part of the generation of income. It is anticipated that staff may be encouraged to develop and discuss ideas knowing that there is investment available.
- 3.17 Within the structure, there is a new department called 'Commercial Management'. This provides capacity and support for staff across the Council to develop new ideas. There is also a new member of staff with a specific role to support, develop and monitor new commercial ideas, but Members were assured that there is a requirement that the role has to generate its own salary by year 2.
- 3.18 Members suggested that the strategy should ensure more work is done with the third sector when looking to maximise income. It is understood that consideration is being applied to looking at the services Wirral provides which may be of interest to the third sector.
- 3.19 In relation to the impact on local businesses, Members had a concern that new commercial ideas may create competition and have an impact on other businesses. Although Wirral would be operating under a free market philosophy, this would be taken into consideration when looking at new ideas.
- 3.20 A number of questions were raised in relation to embedding the right culture across the council and ensuring the right messages are conveyed to achieve a more commercial approach. It is understood that an intranet site has been established around commercialisation and e-learning modules have been included as part of the suite of training packages, as well as running training courses. Network meetings have also been established with Council officers sharing ideas and to

understand what it means to be more commercial. It was welcomed that different Council services are talking to each other, such as leisure services, the Floral Pavilion and schools traded services to tap into the available expertise and to promote the sharing of ideas. It is also understood that managers will be provided with resources and materials to deliver their own commercial training.

3.21 Members agreed that these mechanisms are vital to ensure the Council can deliver on its strategy and also suggested that, with shrinking budgets and challenges to deliver services, commercialisation will become more important to the role of Members. It was agreed that, as part of Member development, appropriate training should be delivered to Members on commercialisation

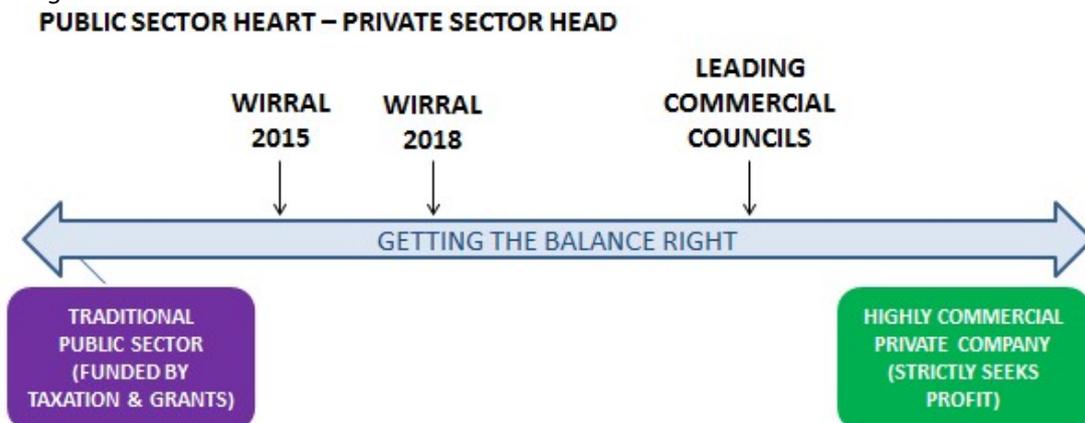
3.22 Income monitoring

Members emphasised the need for effective monitoring of income to measure the success of the strategy. It is reported that income is not currently scrutinised on a regular basis but this will change moving forward. Income is only looked at on a service to service basis but there is a need to understand what the pressures are and identify who is doing well and who isn't. The Investment and Change Board will monitor on a quarterly basis how well income targets which will be set have been met and to ensure that targets are realistic but challenging. Members suggested that periodic income reports should be presented to Overview & Scrutiny for consideration.

3.23 Getting the balance right

Members agreed that the balance between social value and the generation of income is critical and where Wirral is placed on the spectrum, particularly in the use of public funding and taking risks. Fig. 1 below shows where Wirral has moved to since 2015 and where it currently sits against other leading commercial Councils. Members were informed that these other more commercial local authorities are taking bigger risks for the bigger returns but Wirral is looking to become more risk aware than risk averse and this was acknowledged by Members.

Fig.1



4.0 WORKSHOP RECOMMENDATIONS

Following the workshop presentation and the question and answer session, Members agreed to the following recommendations detailed below:

Recommendation 1

It is recommended that officers and Cabinet considers the content of this report prior to approval of the Commercial Strategy.

Recommendation 2

To acknowledge the importance of Wirral's commercial approach moving forward, it is recommended that Member development should also include commercialisation training.

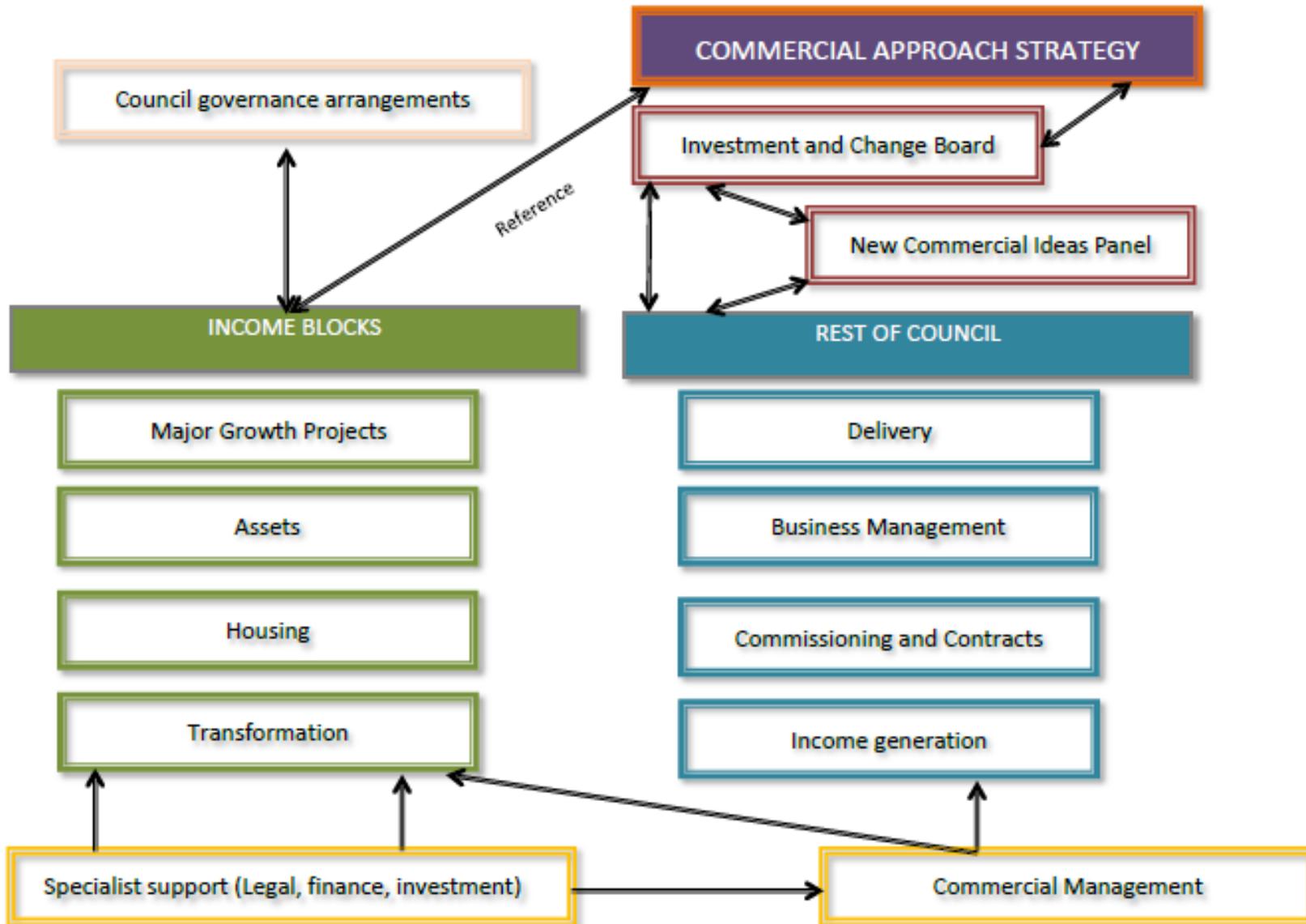
Recommendation 3

The Business Overview & Scrutiny Committee should receive presentations by the Investment and Change Board and the New Commercial Ideas Panel as part of its work programme to understand how they operate and to scrutinise their effectiveness.

Recommendation 4

The Business Overview & Scrutiny Committee should receive an annual report detailing the progress made to deliver the Council's Commercial Strategy. This should include reporting on income received under its remit and details of whether targets have been met or not.

Commercial Approach Strategy Alignment



Appendix 2 – Workshop Attendance

Cllr. Mike Sullivan (Chair)

Cllr. Dave Mitchell

Cllr. Tony Cox

Cllr. Pat Hackett

Cllr. Phil Gilchrist

Cllr. Chris Carubia

Cllr. David Elderton

Cllr. Gerry Ellis

Cllr. Anita Leech

Cllr. Thomas Usher

Officers / Cabinet Members

Stuart Bellerby – Senior Manager (Commercial Approach)

Cllr. Jeanette Williamson – Cabinet Member (Finance and Resources)

Michael Lester – Scrutiny Officer

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COUNCILLOR PHIL DAVIES

CABINET

26 NOVEMBER 2018

WIRRAL TOGETHER:

GETTING THE BASICS RIGHT - A NEW

MODEL FOR COMMUNITY

ENGAGEMENT

Councillor Phil Davies, Leader of the Council, said:

“Working alongside communities to jointly tackle issues, solve problems and improve facilities leads to a better quality of life for residents.

“Almost every time, the people who know how to best improve a community, how to solve a local problem, are the people who live there. Our job, as a Council and as local Councillors, is to make sure they get the support to make that happen.

“The proposals we’re putting forward are about making this easier. This is about removing bureaucracy and red tape, and about taking community funding and bringing it closer to the community.

“If we are to achieve our priorities then it is vital we are able to work effectively with local citizens as well as establishing an ongoing relationship which promotes co-production, mutuality and informed decision making. We call this approach Wirral Together. Wirral is fortunate in that it is home to many vibrant, engaged communities who work together to get things done.

“This report provides Cabinet with a proposed new approach to working with citizens which is intended to strengthen the relationship between public services and citizens, enabling our communities to deliver their part and support each other, in an ongoing partnership between residents and public services. It will also support us in getting the basics right as promised in our Council Plan for 2018/19.”

REPORT SUMMARY

This report recommends that the existing constituency budgets are designated as the Wirral Together Fund, and that it is distributed on a Ward Member basis. It is

also recommending that the current funding is increased by £50,000 and the amount allocated to each Ward Member is weighted for population, deprivation and age (populations aged 0-4 and 75 and over). Staff resources are recommended to be re-directed to directly supporting councillors in this approach instead of the current focus on constituency committees.

This report also recommends that Cabinet agrees the process and criteria as set out in the appendices attached to this report and agrees the necessary officer delegations to administer the Ward Member budgets.

This matter affects all wards within the borough and is therefore a Key Decision.

A review took place during 2017/18 led by the then Portfolio holder for community engagement. As part of that review the effectiveness of existing Constituency Committees was raised as an issue. After consideration of this the proposal in this report is that those arrangements should be brought to an end and, instead, a more focussed approach should be in place to directly support Members in effective ways of engaging and working with Wirral's residents, businesses and partners – and giving local people a greater stake in community projects.

Ward Member budgets should be flexible enough to enable different approaches to community leadership to take place in different wards. The budgets will be just one tool that will enable councillors to take this approach. The appendices attached set out guidance on how these budgets will operate.

Alongside this, greater focus is placed on Member support arrangements to aid ward councillors directly with casework and local projects.

RECOMMENDATIONS

It is recommended that the Cabinet agrees:

- a) That a budget of £250,000 be distributed across the 22 wards, according to a weighting based upon 75% per head of population, 15% deprivation, 5% under 5 years population and 5% over 75 years population (as set out at Appendix A), and allocated in respect of each Ward Member;
- b) To delegate to the Director for Governance and Assurance authority to determine applications for Ward Member budget funding;
- c) To delegate to the s151 Officer, in consultation with the Cabinet Member for Communities, authority to make any necessary changes to the process for awarding money from ward budgets, including changes to the officer responsible for determining applications for ward budget funding;
- d) That there will be an annual review and evaluation.
- e) To delete the provisions of the Constitution relating to Constituency Committees as part of the Council's executive arrangements.
- f) That the new Ward Member budget model should be implemented in the new Municipal year.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1. That Constituency Committees are deleted so that those resources are then applied to more flexible arrangements that can be focussed on supporting individual ward councillors, who may choose to engage with their community singly, on a ward or area basis or through shared meetings on the continuing boundaries as they wish.
- 1.2. To establish Ward Member budgets as a means of enabling engagement with Wirral's residents, in place of the current Constituency Committee delegations, and to establish the funding and process for Ward Member budgets.

2.0 OTHER OPTIONS CONSIDERED

- 2.1. Alternative options considered include:
 - Continuing with Constituency Committees;
 - Abolishing Constituency Committees and area forums and not establishing any equivalent grant funding or resources in their place.
- 2.2. This was not recommended because
 - There is a clear commitment in the Council's Plan to work and engage with more of our community in a meaningful way to make Wirral an even better place to live; and
 - With that in mind, it is not appropriate to abolish existing arrangements without considering alternatives, nor is it appropriate to continue Constituency (area) Committees in the knowledge that this mechanism has only partially achieved its objectives.

3. BACKGROUND INFORMATION

- 3.1. The future of Constituency (area) Committees and possible alternatives has been under discussion with Members, led by former Cllr Patrick as the then relevant Cabinet member.
- 3.2. There has been concern for some time that attendance at some Constituency Committees is variable and often low, and they were not the best forum for meaningful engagement with a wider number of residents.
- 3.3. With this in mind, alongside the focus in the Plan to increase engagement and work with our communities, Ward Member budgets are being proposed as a tool for Councillors to use in their local area. Ward members will be able to determine whether they
- 3.4. The key principles of how the Ward Member budgets will operate are:
 - (a) Acting as a catalyst: to equip Councillors to encourage resident-led activities that become autonomous and self-sustaining.

- (b) Community leadership as a process not a transaction: while it will sometimes be beneficial to help resident-led initiatives get off the ground through seed funding, the Ward Member budgets are not exclusively a seed fund. The intention is that they are also used to support the process of community leadership, a process that involves bringing residents together, identifying priorities and developing resident-led solutions. The process of community leadership can potentially reach a wider range of community groups and inspire a greater number of autonomous community initiatives, than could be supported through the Ward Member budget used exclusively as a seed fund.
- (c) A strategic, evidence based approach: Councillors need to be equipped to use their Ward Member budgets in a strategic way and focus on the most important issues in their wards. Councillors will have access to ward profiles and other sources of information about the pattern of need in their wards. They also need to have as much information as possible about the community assets within their wards – the community groups, networks of support and community champions that Councillors may look to lead, bring together and invite to develop new initiatives. The Ward Member budgets will enable Councillors to commission additional information gathering, surveys and asset mapping where it is required.
- (d) By using the Ward Member budget to support a strategic process of community leadership, Councillors can seek and draw out initiatives where funding would be most valuable and then help to deliver a successful application. Those initiatives should be clearly linked to the Wirral 2020 plans to protect the most vulnerable, drive economic growth and improve the environment.
- (e) Flexibility: Ward Member budgets should be flexible enough to enable different approaches to community leadership to take place in different wards. Members will be able to determine whether they work together within wards, across wards, and within, or across constituency boundaries.

3.5 Communication and transparency:

It is important that Ward Member budget activity is clearly communicated and transparent. There will be a borough-wide publicity campaign organised to publicise Ward-Member budgets. During the year, Communications may produce feature articles on Ward Member budget projects using the Council's normal channels. Communications support to engage individual communities will be available through the use of local social media and website channels. The costs of any locally requested materials (posters or leaflets) would need to be paid for out of Ward Member budgets and will be sourced through the Council's procurement sources.

The impact and outcomes of the work and investments carried out at ward level through this funding will be reported through Council. Each elected

member will be required to produce a report detailing where the money has been spent, and the impact it has made. These reports can be aggregated where Members have chosen to work together as a Ward or bigger footprint.

4.0 FINANCIAL IMPLICATIONS

- 4.1. The recommendation within this report is to create a total annual budget requirement of £250,000. This will be allocated at a ward level, with a third of each ward budget aligned to each Ward Member. The allocation will be weighted by population in each ward, deprivation and those communities that are most vulnerable and which have the greatest contact with Council services. Safeguards against inappropriate expenditure will be put in place, with officers authorising expenditure against the guidance provided in Appendix B and the form at Appendix C.

5. LEGAL IMPLICATIONS

- 5.1. Constituency Committees currently control expenditure and any other functions delegated to them by the Leader of the Council by virtue of being 'area committees' as defined by under s.9E of the Local Government Act 2000, being a committee or sub-committee of the local authority established to discharge functions in respect of part of the area of the authority, whose members are members of the authority elected for wards which fall wholly or partly within that part.
- 5.2. The Council has a discretionary power of general competence under s1 of the Localism Act 2011 which allows it to do anything that an individual can do, including the power to do anything for the benefit of the authority, the Wirral Borough area or persons resident or present in the area.
- 5.3. Decisions about the allocation of Ward Member budgets cannot be delegated either individually or collectively to Members per ward of the authority and therefore an officer will need to make decisions on awarding money these budgets on recommendations from ward councillors, based on the criteria set out in the attached appendices.
- 5.4. Ward-Member budgets comprise Council funds and must be spent in accordance with the relevant constitutional, financial and procurement rules.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1. The current staffing and resources will be re-focussed to provide a dedicated resource will be established as part of Member Services to aid Ward Members in their enhanced role.
- 6.2. The Member Support team will be co-located for part of the working week to ensure effective sharing of good practice and to support workloads.
- 6.3. The team will have key Member relationships to ensure continuity of local engagement and understanding and working with Members to support their

neighbourhoods, engaging and connecting with residents to jointly deliver the Wirral Plan.

- 6.4 The team will also support driving complex case work forward, developing local plans for Wards and commissioning new services and works.

7.0 RELEVANT RISKS

- 7.1 Funding is used inappropriately and not in line with the guidance. This risk will be mitigated by ensuring there is officer sign-off of any planned expenditure. Additionally, an annual report will be produced each year, and published detailing how the investment has been used and the impact it has made.

- 7.2 Communities are not engaged. Ward Members will be supported by the Member Support Team to support effective engagement with communities. This can take whatever appropriate form is relevant to local areas. Communications support will also be provided to ensure local communities are aware of events and opportunities in their areas.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The recommendations included within this report have been informed by extensive engagement with a range of partners, led by Cllr Patrick, to explore how the Council and partners work with local people to deliver the Wirral Plan.

Commencing in Spring 2017, insight was gathered from stakeholders, including local residents, ward Members, community, voluntary and faith sector organisations, public service partner organisations and Council staff.

Surveys, interviews, focus groups and workshops were used to gather information which explored the challenges and opportunities for the Council and partners to work effectively with communities. The findings from this work were presented to all four Constituency Committees across Wirral in March 2018.

9. EQUALITIES IMPLICATIONS

- 9.1. The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
 - advance equality of opportunity between people who share those protected characteristics and people who do not;
 - foster good relations between people who share those characteristics and people who do not.

- 9.2 Ward Member budgets provide an opportunity for Councillors to help foster community cohesion in local areas by encouraging different communities to work together to identify priorities and develop resident-led solutions to local issues.
- 9.3 An Equalities Impact Assessment has been carried out and can be found at the following link:

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/business>

It found that Ward Member budgets provide an opportunity for Councillors to help foster community cohesion in local areas by encouraging different communities to work together to identify priorities and develop resident-led solutions to local issues.

- 9.4 The EqIA identified a number of potential risks around the introduction of Ward Member budgets but also found that there is adequate mitigation in place to address these risks, such as equalities training for Councillors, support from the Council Communications team, a transparent process for distributing funds, and control in the form of senior officer confirmation of spending.
- 9.5 The EqIA recommended that an annual review be carried out to monitor the cumulative impact of Ward Member budgets and the effectiveness of any mitigation measures put in place. This is included in the recommendations to the Cabinet at paragraph 3.5 of this report.

10. APPENDICES

The appendices attached to this report set out guidance on how Ward Member budgets will operate and the EQIA

- Appendix A – Ward Member budget allocations
- Appendix B – Draft Guidance on Ward Member Budgets (subject to amendment as required)
- Appendix C – Draft Ward Member Budget Application Form (subject to amendment as required)
- Appendix D – Equalities Impact Assessment

11. BACKGROUND PAPERS

Outcome reports from the consultation in 2017/18

APPENDIX A – ALLOCATION OF WARD MEMBER BUDGETS

Note: these allocations have been calculated on the basis of data available at November 2018 and are therefore indicative. They will be re-calculated for each new Municipal year from 2019/20 onwards to ensure none of the underlying weighting figures have changed and to agree the final allocation within the Council's budget.

Ward	Constituency	Weighted Allocation 75% per capita; 15% deprivation; 5% under 5 years population; 5% over 75 years population	Individual Ward Member budget allocation
Bidston and St James	Birkenhead	14,009	4,670
Birkenhead and Tranmere	Birkenhead	15,161	5,054
Claughton	Birkenhead	11,667	3,889
Oxton	Birkenhead	10,374	3,458
Prenton	Birkenhead	10,885	3,628
Rock Ferry	Birkenhead	12,772	4,257
	Total	74,868	
Leasowe and Moreton East	Wallasey	11,851	3,950
Liscard	Wallasey	12,639	4,213
Moreton West and Saughall Massie	Wallasey	10,420	3,473
New Brighton	Wallasey	11,561	3,854
Seacombe	Wallasey	13,856	4,619
Wallasey	Wallasey	10,671	3,557
	Total	70,999	
Bebington	Wirral South	11,301	3,767
Bromborough	Wirral South	12,101	4,034
Clatterbridge	Wirral South	10,195	3,398
Eastham	Wirral South	10,331	3,444
Heswall	Wirral South	9,278	3,093
	Total	53,206	
Greasby, Frankby and Irby	Wirral West	9,739	3,246
Hoylake and Meols	Wirral West	9,502	3,167
Pensby and Thingwall	Wirral West	9,574	3,191
Upton	Wirral West	13,128	4,376
West Kirby and Thurstaston	Wirral West	8,984	2,995
	Total	50,927	

Total budget £250,000

DRAFT

Guidance on use of Ward Member Budgets

Ward Member budgets are designed to act as a catalyst to encourage resident led activities that are autonomous and self-sustaining.

Who should receive funds from Ward Member budgets?

Local community organisations, charities, statutory bodies (e.g. the police), businesses and sole traders can receive funds, either separately or in partnership. Ward Member budgets cannot be used to support any kind of political activity.

How will funds be awarded?

Ward Councillors, working together, will be responsible for agreeing proposals to be put forward for approval for the award of funding. Ward Members may wish to do this in different ways and will have the flexibility to do this in the way that best suits their ward. Some suggestions are:

- Ward Councillors may wish to agree priorities, perhaps in consultation with the local community, at the start of the year and invite applications that will further that agenda (for instance, a focus on enhancing local high streets, or tackling social isolation).
- Ward Councillors may wish to maintain more flexibility and adopt a combination of seeking community groups to take forward specific initiatives, or to maintain complete flexibility to allow anyone to come forward with a proposition in line with the general aims of the ward budget.
- The frequency with which decisions are made on spending of the budget is for Ward Councillors to determine – and could be annual, quarterly or monthly, for instance. If awards are to be made at specific periods during the year, Councillors will wish to weigh up the benefits of speediness of decision making versus ensuring that the budget is not all spent within the first few months of the year.

What are the criteria for awarding funds from Ward Member budgets?

In order to ensure that there is transparency and clarity, it is suggested that a standard template is used across wards, and this will be provided. Successful applications must:

- improve the well being of the local community in Wirral Borough, or its environment or economy, and be linked to the themes of the Wirral Plan (protecting the most vulnerable, driving economic growth, and improving the environment)
- be one off expenditure with no expectation of future funding
- be a minimum of £250, for applications from external organisations. (Applications from Ward Members, such as for room hire and printing, will not be subject to a minimum) and
- be for revenue or capital expenditure.

Examples of applications that are likely to meet the criteria are:

- providing access to tools for a community garden or impacting positively on resident engagement
- providing seed or match funding for a larger scale project. For example to help fund the painting of shop frontages in a particular street.
- funding to be used to engage a particular part of the community on a specific issue.
- funding to support ongoing and regular ward or community engagement and development

Ward Member budgets can be used to fund joint projects between two or more wards providing each Member has identified the project as something that would benefit residents in all the participating wards.

Ward Member budgets cannot be used for the following purposes:

- Projects that would adversely impact the local community or environment
- Projects that would undermine Council approved priorities
- To fund existing, changing or decommissioned Council services
- To fund the mainstream activities of a commercial [or voluntary sector?] organisation.
- To fund retrospective applications (e.g., equipment etc., cannot be purchased and then an application submitted)
- Projects that are political in nature or campaign against the Council or its agreed priorities or funding for lobbying
- Must not have on-going revenue or capital implications
- Projects or proposals that would be unlawful for the Council to support

How will decisions about applications be made and when?

A named officer will have the delegated decision making authority to approve applications for money from Ward Member budgets. Members will make their recommendations on the spending of the Ward Member budgets to the named officer. Members are expected to make recommendations that meet all of the above

criteria for awarding Ward Member budget spending. The named officer should then be able to agree spending without further information. The decision of the named officer will be final and is not subject to appeal.

Unspent Ward Member budgets will not be rolled forward to the following financial year without Cabinet consent

The decision making process

- Councillors, residents and organisations make applications
- Ward Member(s) determine which applications they recommend to be funded
- A final formal decision on spend is made by the named officer
- The Ward Member(s) is (are) notified of decisions
- Applicants are notified of decisions
- Funding is released and projects commence
- A list of all projects and spend will be published on a web-page

What rules apply to spending Ward Member budget funds?

Ward Member budget funds are public money and so the same rules apply as would apply to any other council spending. All spending is subject to the Council's Constitution, Contract Standing Orders and Financial regulations, as well as the appropriate scrutiny and accountability.

The Council will not be putting resources into checking that projects supported by a Ward Member budget have been delivered. There is an element of trust between the Ward Members and the applicant to ensure that the money is spent in accordance with the application. If Members believe at any point that the funds awarded have been used for different purposes than those applied for, they should notify the named officer who will make a decision on the most appropriate course of action.

Ward Councillors must consider and identify any potential conflicts of interest in relation to proposals they are supporting.

DRAFT

Ward Member Budget Application Form [2019/20]

Ward (please circle or highlight ONE ward only):-

Bidston & St James	Leasowe and Moreton East	Bebington	Greasby, Frankby & Irby
Birkenhead and Tranmere	Liscard	Bromborough	Hoylake and Meols
Claughton	Moreton West and Saughall Massie	Clatterbridge	Pensby and Thingwall
Oxton	New Brighton	Eastham	Upton
Prenton	Seacombe	Heswall	West Kirby and Thurstaston
Rock Ferry	Wallasey		

Applicant Please tick one that applies:-

local community organisation	<input type="checkbox"/>	constituted local organisation	<input type="checkbox"/>
charity	<input type="checkbox"/>	individual	<input type="checkbox"/>
statutory bodies (e.g. the police)	<input type="checkbox"/>	Other, please state:	<input type="checkbox"/>
business / sole trader	<input type="checkbox"/>		

Organisation	
Contact Name	
Address	
Email	
Telephone No.	

Note: Applications must come through recognised or constituted groups, but if excellent ideas are proposed, 'ownership' by a constituted group could be considered.

How much are you requesting from the Ward Member budget fund? <i>Please round up/down to the nearest whole number</i>	£ .
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Ward Councillors' certification

I/We the undersigned ward councillors support this proposal

signature/e-sign		signature/e-sign		signature/e-sign	
date:		date:		date:	

Approval / Declined		date:
---------------------	--	-------

Please complete the following pages clearly and completely. Any omission may delay the application.

Proposal:

Please explain what you are proposing to do, how much you are requesting and detail how the money will be spent. A full breakdown of proposed spending is necessary, including any VAT.

(continue on separate sheet if required)

Criteria:

Please indicate how this application meets the Ward Member budget criteria.

Successful applications must:

- Contribute to protecting the most vulnerable, driving economic growth or improving the environment in line with Wirral Plan 2020;
- be one off expenditure with no expectation of future funding;
- be for a minimum of £250 for applications from external organisations (Applications from Ward Members, such as for room hire and printing, will not be subject to a minimum).

If your application for Ward Member budget funding is part of a larger project please explain how much will come from other sources and what those other sources are.

List any attached documents you are supplying in support of your project:

Certification by applicant (please ensure all fields are filled in):-

All necessary consents/insurance or permissions are in place	Yes	No
If not, please provide reasons and when it will be in place		
Please confirm that none of the prohibitions below applies	Yes	No
Ward Member budgets cannot be used for the following purposes:		
<ul style="list-style-type: none">■ Projects that would adversely impact the local community or environment like for example funding a parade for a socially excluded body■ Projects that would undermine council approved priorities■ To fund existing, changing or decommissioned council services■ To fund the mainstream activities of a commercial or voluntary sector organisation.■ To fund retrospective applications (e.g. equipment etc cannot be purchased and then an application submitted)■ Projects that are political in nature or campaign against the council or its agreed priorities or funding for lobbying■ Must not have on going revenue or capital implications■ Projects/proposals that would be unlawful for the council to support		

I certify that to the best of my knowledge and belief, the entries on this application form are true, accurate and complete.

I confirm that I am authorised to sign this application form on behalf of the organisation or group named within this application form.

signature/e-sign	
date:	

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Equality Impact Assessment Toolkit

(March 2017)

Section 1: Your details

EIA lead Officer:

Email address:

Head of Section:

Chief Officer: Director for Governance & Assurance/Monitoring Officer

Directorate: Business

Date: 16 November 2018

Section 2: What Council proposal is being assessed?

Getting the basics right: a new model for community engagement

Section 2a: Will this EIA be submitted to a Cabinet or Committee meeting?

Yes

If 'yes' please state which meeting and what date

Cabinet 26th November 2018

Please select hyperlink to where your EIA is/will be published on the Council's website (please select appropriate link & delete those not relevant)

Business (Finance, Law & Governance, Construction and Facilities Management, HR / OD, Commissioning & Procurement, Asset Management, Digital)

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2017/business>

Section 3: Does the proposal have the potential to affect..... (please tick relevant boxes)

Y **Services**

Y **The workforce**

Y **Communities**

Y **Other:** Partners, Private Sector, Voluntary & Community Sector

If you have ticked one or more of above, please go to section 4.

None (please stop here and email this form to your Chief Officer who needs to email it to engage@wirral.gov.uk for publishing)

APPENDIX D

Section 4: **Could the proposal have a positive or negative impact on any protected groups (age, disability, gender reassignment, marriage & civil partnership, pregnancy & maternity, race, religion or belief, sex, sexual orientation)?**

You may also want to consider socio-economic status of individuals.

Please list in the table below and include actions required to mitigate any potential negative impact.

Which group(s) of people could be affected	Potential positive or negative impact	Action required to mitigate any potential negative impact	Lead person	Timescale	Resource implications
All protected characteristic groups	Ward budgets provide an opportunity for Councillors to help foster community cohesion in local areas by encouraging different communities to work together to identify priorities and develop resident-led solutions to local issues.	A review should take place to assess the impact of the approach	Director of Governance and Assurance Monitoring Officer	Annually	Staff time
All protected characteristic groups	Elected members will need to ensure they are clear on equalities issues.	Equalities training for Councillors	Director of Governance and Assurance Monitoring Officer	Offered Annually	

APPENDIX D

	<p>All protected groups will need to be able to know how to request funding from the Wirral Together fund. support from the Council Communications team, a transparent process for distributing funds</p>	<p>Support will be put in place by the Council's communications team, and the Member Support team will ensure a transparent process is in place for fund distribution</p>	<p>Head of Communications Director of Governance and Assurance Monitoring Officer</p>	<p>As soon as the new system is in place in the Municipal year 2019/20</p>	

Section 4a: Where and how will the above actions be monitored?

It is recommended that an annual review be carried out to monitor the cumulative impact of ward budgets and the effectiveness of any mitigation measures put in place.

Section 4b: If you think there is no negative impact, what is your reasoning behind this?

Section 5: What research / data / information have you used in support of this process?

We have used the Wirral Intelligence Service population information to identify where possible groups affected by this proposal. We are conscious that there are protected characteristic groups that may not be captured in a quantifiable way, so we have taken the precautionary principle that they may be affected and therefore we need to find ways to mitigate any impact.

Section 6: Are you intending to carry out any consultation with regard to this Council proposal?

No

If 'no' please state your reason(s) why:

Consultation has already taken place to inform this proposal.

(please stop here and email this form to your Chief Officer who needs to email it to engage@wirral.gov.uk for publishing)

Section 7: How will consultation take place and by when?

APPENDIX D

Before you complete your consultation, please email your preliminary EIA to engage@wirral.gov.uk via your Chief Officer in order for the Council to ensure it is meeting it's legal publishing requirements. The EIA will need to be published with a note saying we are awaiting outcomes from a consultation exercise.

Once you have completed your consultation, please review your actions in section 4. Then email this form to your Chief Officer who needs to email it to engage@wirral.gov.uk for publishing.

Section 8: Have you remembered to:

- a) **Select appropriate directorate hyperlink to where your EIA is/will be published** (section 2a)
- b) **Include any potential positive impacts as well as negative impacts?** (section 4)
- c) **Send this EIA to engage@wirral.gov.uk via your Chief Officer?**
- d) **Review section 4 once consultation has taken place and sent your updated EIA to engage@wirral.gov.uk via your Chief Officer for re-publishing?**

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