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WIRRAL

Budget Council

Town Hall
Wallasey

22 February 2019

Dear Councillor

You are hereby summoned to attend a meeting of the Council to be held at **6.00 p.m. on Monday, 4 March 2019** in the Council Chamber, within the Town Hall, Wallasey, to take into consideration and determine upon the following subjects : -

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

Contact Officer: Patrick Sebastian
Tel: 0151 691 8424
e-mail: patricksebastian@wirral.gov.uk
Website: http://www.wirral.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

3. CIVIC MAYOR'S ANNOUNCEMENTS

To receive the Civic Mayor's announcements.

4. MINUTES

To approve the accuracy of the minutes of the meetings of the Council held on 10 December 2018 (ordinary meeting) and 25 February 2019 (extraordinary meeting).

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

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

6. COUNCIL'S BUDGET AND POLICY FRAMEWORK PROCEDURE RULES (STANDING ORDERS) (Pages 1 - 6)

Council to note the content of the Council's Budget and Policy Framework Procedure Rules (standing orders) contained as Part 4(C) of the Constitution (attached). Council Minute 116 (5 March 2018) refers.

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

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

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

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

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

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

(a) to refer or refer back a subject of debate for consideration or reconsideration as the case may be;

(b) to leave out words;
(c) to leave out words and insert or add others;
(d) to insert or add words.

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

(iii) Standing Order 12(10) relates to 'Amendments to be dealt with in order' and provides that:

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

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

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

8. COUNCIL BUDGET (Pages 7 - 299)

The Budget Debate will only consider:

(i) the Cabinet's Budget Recommendations/Minutes, which shall include any additional paragraphs / recommendations (e.g. those relating to precepts), together with any other recommendation(s) / minute(s) from the Cabinet meeting held on 18 February 2019 (and/or any other relevant Cabinet meeting) that require approval by the Council; and

(ii) any objections to the recommendations and those Alternative Budget Proposal(s) or Amendment(s) to the Cabinet's Budget Recommendations / Minutes referred to at (i) above that are duly lodged with the Director: Governance and Assurance (Monitoring Officer) on or before **12noon on Wednesday, 27 February 2019**.

(iii) Budget Debate shall be conducted in accordance with the Budget Debate Process. Cabinet Minute 73(1), 18 December 2017 refers. **(Pages 7 - 12)**

The following minutes of the Cabinet (Budget Meeting) held on 18 February 2019, are attached.

Minute 51 – Revenue Monitoring 2018/19 Quarter 3, to December 2018 (Cabinet Report attached). **(Pages 13 - 20)**

Minute 52 – Capital Monitoring 2018/19 Quarter 3, to December 2018 (Cabinet Report attached). **(Pages 21 - 40)**

Minute 53 - 2019/20 Budget Proposals Scrutiny Report (attached). **(Pages 41 - 100)**

Minute 54
CABINET BUDGET RESOLUTION 2019/20 **(Pages 101 - 116)**

Supporting Documents:

A Revenue Budget 2019/20 and Medium Term Financial Strategy 2019/20 to 2022/23 **(Pages 117 - 204)**

B Schools Budget and Funding Formula Changes 2019/20 **(Pages 205 - 220)**

C	Capital Programme and Financing 2019/23	**(Pages 221 - 244)**
D	Capital Financing Strategy 2019/20	**(Pages 245 - 260)**
E	Treasury Management Strategy Statement 2019/22	**(Pages 261 - 288)**
F	Investment Strategy Statement 2019/22	**(Pages 289 - 299)**

Director: Governance and Assurance

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.

Persons making recordings are requested not to put undue restrictions on the material produced so that it can be reused and edited by all local people and organisations on a non-commercial basis.

PART 4C

Budget and Policy Framework Procedure Rules

1. The framework for Executive decisions

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

2. Developing the Budget and Policy Framework

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

(a) The Cabinet will publicise a timetable for making proposals to the Council for the adoption of any plan, strategy or budget that forms part of the Budget and Policy Framework, and its arrangements for consultation after publication of those initial proposals. The Chair and Vice Chair of the Co-ordinating Committee will also be notified. Consultation will take place in a manner and to the extent that is appropriate in the circumstances.

(b) In relation to proposals associated with the preparation of or alterations to the Development Plan the Executive will develop draft proposals for the purpose of public consultation in accordance with regulations 10 to 22 of the Town and Country Planning (Development Plans) (England) Regulation 1999. The draft consultation proposals will be submitted to Council for approval or amendment.

(c) At the end of the consultation period, the Cabinet will draw up firm proposals for plans and the budget having regard to the responses to that consultation. The Cabinet's report to Council will reflect the comments made by consultees and the Cabinet's response.

(d) Once the Cabinet has approved the firm proposals, the Chief Executive will refer them at the earliest opportunity to the Council for decision.

3. Adoption of plans and strategies

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

(b) Before the Council—
   (i) amends the draft plan or strategy;

(ii) approves, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft) of which any part is required to be so submitted; or

(iii) adopts (with or without modification) the plan or strategy,

it must inform the Leader of any objections which it has to the draft plan or strategy and must give instructions requiring the Leader or Cabinet to reconsider, in the light of those objections, the draft plan or strategy submitted to it.

(c). Where the Council gives instructions in accordance with paragraph (b), it must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions within which the Leader or Cabinet may—

(i) submit a revision of the draft plan or strategy as amended by the Leader or Cabinet (the "revised draft plan or strategy"), with the Leader or Cabinet's reasons for any amendments made to the draft plan or strategy, to the Council for the Council's consideration; or

(ii) inform the Council of any disagreement that the Leader or Cabinet has with any of the Council's objections and the Leader or Cabinet's reasons for any such disagreement.

(d) When the period specified by the Council, referred to in paragraph (c), has expired, the Council must, when—

(i) amending the draft plan or strategy or, if there is one, the revised draft plan or strategy;

(ii) approving, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft or revised draft) of which any part is required to be so submitted; or

(iii) adopting (with or without modification) the plan or strategy,

take into account any amendments made to the draft plan or strategy that are included in any revised draft plan or strategy, the Leader or Cabinet's reasons for those amendments, any disagreement that the Leader or Cabinet has with any of the Council's objections and the Leader or Cabinet's reasons for that disagreement, which the Leader or Cabinet submitted to the Council, or informed the Council of, within the period specified.

4. Adoption of the Budget

(a) The process at Paragraph 2 will result in Cabinet making recommendations to Council on budget proposals and estimates in relation to the following financial year to a Budget Decision meeting of Council to enable the Council to set a lawful and balanced budget and to set the Council Tax by 11th March each year. Every Council has a statutory obligation to agree the Council tax by that date.

(b) The Budget Decision meeting of Council will only consider:

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

(ii) any objections to those Recommendations, Alternative Budget Proposal(s) or Amendment(s) to the Cabinet's Budget Recommendations/Minutes referred to at (i).

(c) Where the Council, following consideration of those estimates or amounts, has any objections to them, it must take the action set out in paragraph (d). Where those objections take the form of a proposal to move a substantial amendment or amendments which amount to an alternative budget decision to be adopted by the Council, they may only do so provided they give notice in writing of the proposed amendment(s) to the Monitoring Officer no later than **12 noon three working days before the Council meeting** (not including the day of the meeting).

(d). Before the Council makes a Budget Decision, it must inform the Leader of any objections which it has to the Cabinet's estimates or amounts and must give to the Leader instructions requiring the Leader and Cabinet to reconsider, in the light of those objections, those estimates and amounts in accordance with the Council's requirements.

(e). Where the Council gives instructions in accordance with paragraph (d), it must specify a period of at least five working days beginning on the day after the date on which the Cabinet leader receives the instructions on behalf of the Cabinet within which the Cabinet leader may—

(i) submit a revision of the estimates or amounts as amended by the Cabinet ("revised estimates or amounts"), which have been reconsidered in accordance with the Council's requirements, with the Cabinet's reasons for any amendments made to the estimates or amounts, to the Council for the Council's consideration; or

(ii) inform the Council of any disagreement that the Cabinet has with any of the Council's objections and the Cabinet's reasons for any such disagreement.

(f). When the period specified by the Council, referred to in paragraph (e), has expired, the Council must, when making a Budget Decision, take into account—

(i) any amendments to the estimates or amounts that are included in any revised estimates or amounts;

(ii) the Cabinet's reasons for those amendments;

(iii) any disagreement that the Cabinet has with any of the Council's objections; and
(iv) the Cabinet's reasons for that disagreement,

which the Cabinet leader submitted to the Council, or informed the Council of, within the period specified.

(g) Immediately after any vote is taken at a Budget Decision meeting of the Council there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.

(h) Within these Rules "Budget Decision" means a meeting of the full Council:
(i) at which it makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A, 31B, 34 to 36A, 42A, 42B, 45 to 49, 52ZF, 52ZJ of the Local Government Finance Act 1992;
(ii) which includes a meeting where making the calculation or issuing the precept as the case may be was included as an item of business on the agenda for that meeting; and
(ii) in respect of which references to a vote are references to a vote on any decision related to the making of the calculation.

5. Decisions outside the budget or policy framework

(a) Any person or body exercising executive functions must normally act within the budget and policy framework. A decision is outside the budget and policy framework if it is contrary to the policy framework set out in Article 4 of the Constitution or contrary to or not wholly in accordance with the budget as defined in Article 4.

(b) Urgent decisions outside the budget or policy framework may be made in the circumstances described in paragraph 5 below.

(c) Virement will be possible to the extent described in the Council's Financial Procedure Rules.

(d) In any other circumstances if a person or body exercising executive functions wishes to make a decision which is outside the budget or policy framework, then that decision may only be taken by the Council. It is the duty of the person or body who wishes to make the decision to refer it to Council.

(e) In any case if a person or body wishes to make a decision which appears to be outside the budget or policy framework they shall take advice from the Monitoring Officer and/or the Chief Finance Officer. Those officers shall advise as to whether the proposed decision would in fact be contrary to the policy framework, or contrary to or not wholly in accordance with the budget. If the advice of either of those officers is that the decision would not be in line with the existing budget and/or policy framework, then the decision must be

referred by that body or person to the Council for decision. The only exception to this is if the decision is a matter of urgency. In that case the provisions in paragraph 6 (urgent decisions outside the budget and policy framework) shall apply.

6. Urgent decisions outside the budget or policy framework

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

(a) Any person or body discharging executive functions may take a decision which is contrary to the Council's policy framework or contrary to or not wholly in accordance with the budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:

(i) if it is not practical to convene a quorate meeting of the full Council; and
(ii) if the Chair and Vice Chair of a Scrutiny agrees that the decision is a matter of urgency.

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

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

7. Virement

The Council's Financial Procedure Rules set out procedures and limitations on virement within budget heads.

8. In-year changes to policy framework

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

(a) to give effect to a ministerial requirement in relation to any plan or strategy submitted to him for approval;

(b) if so authorised by the Council when approving or adopting the plan or strategy.

(c) Any decisions subject to the provisions of paragraph 5 above.

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

(a) Where the Co-ordinating Committee is of the opinion that an executive decision is, or if made would be, contrary to the policy framework, or contrary to or not wholly in accordance with the Council's budget, then it shall seek advice from the Monitoring Officer and/or Chief Finance Officer.

(b) In respect of functions, which are the Executive functions, the Monitoring Officer's report and/or Chief Finance Officer's report shall be to the Cabinet with a copy to every member of the Council. Regardless of whether the decision is delegated or not, the Cabinet must meet to decide what action to take in respect of the Monitoring Officer's report and to prepare a report to Council in the event that the Monitoring Officer or the Chief Finance Officer conclude that the decision was a departure, and to the Co-ordinating Committee if the Monitoring Officer or the Chief Finance Officer conclude that the decision was not a departure.

(c) If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and/or the Chief Finance Officer is that the decision is or would be contrary to the policy framework or contrary to or not wholly in accordance with the budget, the Coordinating Committee may refer the matter to Council. In such cases, no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within 14 days of the request by the Co-ordinating Committee. At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and/or the Chief Finance Officer. The Council may:

(i) endorse a decision or proposal of the Cabinet decision taker as falling within the existing budget and policy framework. In this case no further action is required, save that the decision of the Council be minuted and circulated to all councillors in the normal way; or

(ii) amend the Council's Financial Procedure Rules or policy concerned to encompass the decision or proposal of the body or individual responsible for that Cabinet function and agree to the decision with immediate effect. In this case, no further action is required save that the decision of the Council be minuted and circulated to all councillors in the normal way; or

(iii) where the Council accepts that the decision or proposal is contrary to the policy framework or contrary to or not wholly in accordance with the budget, and does not amend the existing framework to accommodate it, require the Cabinet to reconsider the matter in accordance with the advice of either the Monitoring Officer or Chief Finance Officer.

MINUTE EXTRACT
CABINET
18 DECEMBER 2017

Budget Debate Process

1. Cabinet Minute

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

b. The Cabinet's Budget Recommendations/Minute(s) is formally seconded.

2. Alternative Budget Proposal(s)/Amendments

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

First Alternative Budget Proposal(s) or Amendment

b. The Mayor will invite the Group Leader of the largest opposition political group to first propose his Alternative Budget Proposal(s) or Amendment.

c. The Group Leader of the largest opposition political group formally moves his Alternative Budget Proposal(s) or Amendment.

d. The Alternative Budget Proposal(s) or Amendment is formally seconded.

Second Alternative Budget Proposal(s)/Amendment

e. The Mayor will invite the Group Leader of the other opposition political group to propose his Alternative Budget Proposal(s) or Amendment.

f. The Group Leader of the other opposition political group formally moves his Alternative Budget Proposal(s) or Amendment.

g. The Alternative Budget Proposal(s) or Amendment is formally seconded.

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

h. The Mayor will invite the Green Party Member to propose his Alternative Budget Proposal(s) or Amendment.

i. The Green Party Member formally moves his Alternative Budget Proposal(s) or Amendment.

j. The Alternative Budget Proposal(s) or Amendment is formally seconded.

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

3. ***Debating and Voting***

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

Order of Speakers

a. The Leader of the Council will speak to the Cabinet Budget Recommendations/Minute(s) (15 Minutes).

b. The Portfolio Holder for Children's Services will speak to the Schools' Budget element of the Cabinet Budget Recommendations/Minute(s). (7 Minutes).

c. The Group Leader of the largest opposition political group will speak to the First Alternative Budget Proposal(s)/Amendment (15 Minutes).

d. The Group Leader of the other opposition political group will speak to the Second Alternative Budget Proposal(s)/Amendment (15 Minutes).

e. If applicable, the Green Party Member will speak to the Third Alternative Budget Proposal(s)/Amendment (5 Minutes).

f. Other members wishing to speak shall indicate to the Mayor, who will call them to speak in the order determined by the Mayor (Each Member - 3 Minutes).

g. The budget debate shall end with the Seconders, **unless** they have spoken earlier. (Each Seconder - 7 Minutes save for the Seconder of the Green Party Alternative Budget Proposal(s)/Amendment who shall have 3 Minutes).

Right of Reply

h. If applicable, the Proposer of the Third Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (3 Minutes).

i. The Proposer of the Second Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).

j. The Proposer of the First Alternative Budget Proposal(s)/Amendment will be invited to exercise his right of reply. (5 Minutes).

k. The Leader of the Council will be invited to exercise his right of reply. (5 Minutes).

Speakers
Speakers will be allocated the following time:

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

Seconder of First and Second Alternative Budget Proposal(s)/Amendment	7 minutes
The Seconder of the Cabinet Budget Recommendation(s)/Minutes(s)	7 minutes
Green Party Member (if applicable) – right of reply	3 minutes
The Group Leaders of the opposition political groups – right of reply	5 minutes
The Leader of the Council – right of reply	5 minutes

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

4. Voting

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

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

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

b. Second Alternative Budget Proposal(s)/Amendment

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

c. First Alternative Budget Proposal(s)/Amendment

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

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

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

(ii) If the Cabinet's Budget Recommendation(s)/Minute(s) are amended or an Alternative Budget Proposal(s) carried pursuant to 4a–c above, that decision will be regarded as

an in-principle decision, and the Budget meeting of the Council shall be adjourned to [*the date to be set by Council*] unless the Leader of the Council confirms to Council that he does not intend to challenge the in-principle decision, in which case it shall become effective.

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

At that the adjourned meeting, the Council can:

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

(ii) re-affirm its approval of the in-principle decision made by Council, upon the occurrence of which it will shall become effective; or

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

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

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MINUTE EXTRACT
BUDGET CABINET
18 FEBRUARY 2019

51 **REVENUE MONITORING 2018/19 QUARTER 3 (TO DECEMBER 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.*

"Setting the budget 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.

"While keeping within our budget remains a challenge, as demand continues to rise, we are confident we have the plans and expertise in place to deliver a balanced budget for the current year, as we have consistently done."

The Cabinet Member for Finance and Resources introduced a report which set out the projected revenue position for 2018/19 as at the end of Quarter 3 (31 December 2018).

The forecast outturn position as at the end of Quarter 3 was a potential overspend of £0.720m. This was an improvement on Quarter 2 (£0.907m). All services were actioning mitigating savings to offset the potential overspend so that a balanced position could be reported at the end of the year.

Since the 2018/19 budget was set in March 2018, several areas of pressure across the Council had arisen as a result of increasing demand. To ensure these pressures did not materialise a robust programme of mitigation had been actioned, but in the current economic climate it was increasingly difficult to contain these pressures without impacting on service delivery.

The report provided an update on the achievement of savings proposals for 2018/19. Some of these proposals were not being realised, but areas to offset these via other means were being identified and implemented so that the total savings target could be met by the end of the year.

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

This was a key decision which affected all Wards within the Borough.

RESOLVED: That:

(1) The Quarter 3 forecast to the year-end of a £0.720m overspend which incorporates a number of adverse variances be noted.

(2) 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.

WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **18 FEBRUARY 2019** **REVENUE MONITORING 2018/19** **QUARTER 3 (TO DECEMBER 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.

"Setting the budget 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.

"While keeping within our budget remains a challenge, as demand continues to rise, we are confident we have the plans and expertise in place to deliver a balanced budget for the current year, as we have consistently done."

REPORT SUMMARY

This report sets out the projected revenue position for 2018/19 as at the end of Quarter 3 (31 December 2018).

The forecast outturn position as at the end of Quarter 3 is a potential overspend of £0.720m. This is an improvement on Quarter 2 (£0.907m). All services are actioning mitigating savings to offset the potential overspend so that a balanced position can be reported at the end of the year.

Since the 2018/19 budget was set in March 2018, several areas of pressure across the Council have arisen as a result of increasing demand, to ensure these pressures do not materialise a robust programme of mitigation has been actioned, but in the current economic climate it is increasingly difficult to contain these pressures without impacting on service delivery.

The report provides an update on the achievement of savings proposals for 2018/19. Some of which are not being realised, however areas to offset these via other means are being implemented 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 Financial 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 3 forecast to the year-end of a £0.720m overspend which incorporates a number of adverse variances 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.

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 two there was a £1.1 million adjustment to the bottom line. In quarter three the bottom line budget has remained the same.

Table 1: 2018/19 Net Budget by Directorate

	£000
Economic & Housing Growth	25,557
Business Management	10,796
Strategy & Partnerships	18,283
Delivery Services	65,589
Childrens Services	89,571
Adult Care & Health	91,826
Total Net Budget	**301,622**

3.3 PROJECTIONS AND KEY ISSUES

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

Table 2: 2018/19 Projected Forecast Outturn

Directorates	Revised Budget £000	Q3 Forecast £000	Q3 Variance £000	Q3 Variance %	Q2 Variance £000
Economic & Housing Growth	25,557	25,557	0	0	(175)
Business Management	10,796	10,796	0	0	0
Strategy & Partnerships	18,283	18,283	0	0	0
Delivery Services	65,589	66,309	(720)	(1.1)	(732)
Childrens Services	89,571	89,571	0	0	0
Adult Care & Health	91,826	91,826	0	0	0
TOTAL	**301,622**	**302,342**	**(720)**	**(0.2)**	**(907)**

3.4 DIRECTORATE UPDATES

3.4.1 Economic & Housing Growth – Balanced

- The Directorate is reporting a balanced budget, a £0.175m improvement on Quarter 2, this is due to vacancies and controlled spend on Cultural events.
- Risks have increased in containing local plan costs with potential further costs in 2019/20 of £600k.
- It is anticipated that the dividend from the Wirral Growth Company will now be received in 19/20 and any associated 2018/19 costs will be funded from reserves to be repaid in the following year.

3.4.2 Business Management – Balanced

- Pressures remain in Governance and Assurance, Customer Services and Schools Traded Services. These are being mitigated through revised financing of costs including capitalisation to relieve revenue budgets.

3.4.3 Delivery Services– Overspend of £0.720 Million

- Delivery Services continues to face pressures from the non-achievement of savings within Waste & Environment being £0.4m from expected contract efficiencies and £0.2m from reduced targeted garden waste income where attracting additional users has not matched budgeted expectations.
- Since the Q2 report the overall forecast has not changed significantly however this overall position includes notable variances. Higher costs for winter maintenance are anticipated as weather forecasters continue to predict a harsh winter which would see increased gritting schedules, with the associated increased costs in salt and transport. This pressure is anticipated to be offset by small improvements in income forecasts and savings across other areas of the Directorate.

3.4.4 Childrens Services – Balanced

- The cost of Children Looked after (CLA) continues to present a pressure for the Directorate. However, the number of CLA has stabilised over the past 9 months. The increasing complexities of needs still represent a challenge and work continues to be undertaken to bring this cost pressure down.
- The investment provided in the 2018/19 budget is taking shape with new practices embedded within the Directorate creating efficiencies and enabling reactive expenditure to be diverted to prevention. This investment will continue to shape the Directorate into 2019/20.
- Pressures on the schools budget continue to grow and are now projected to total £2m, due to the further identification, demand, and complexity of pupils with Special Education Needs (SEN). These are partially offset by the transfer from the Individual Schools Budget as well as other small underspends within the Dedicated Schools Grant (DSG) budget. The remaining projected 2018/19 overspend of £1.13m will be met from the DSG reserve.
- SEN pressures are reflected nationally and will continue in 2019/20. Wirral has commissioned Premier Advisory Group to carry out an in-depth independent review of SEN provision, which will take place in 3 phases over the 2018/19 academic year, with the aim of reallocating DSG resources to meet need and to avoid future overspends. Any changes however will not impact the budget until 2020/21.

3.4.5 **Adult Care & Health – Balanced**

- Adult Health & Care is still forecast to balance its budget by year-end; there have been no significant changes to the forecast position from Quarter 2. There is a gross additional financial pressure on the service anticipated of £2.5m. This is comprised of two elements:

  1) £0.7m relates to the remaining part-year effect of the increased demand for services in 2018/19. This has caused additional expenditure against care budgets and will be fully mitigated through the continued delivery of the savings plan agreed at the start of the year (see below).

  2) £1.8m relates to additional demand anticipated over the winter period, predominantly in the home care market. This will cause additional expenditure, but will be mitigated by Wirral's share of the additional £240m of funding announced by the DoHSC for Adult Social Care on 17th October 18.

- The pooled fund of £131m, to which Adult Health & Care is a contributor, is currently forecasting a deficit position due to increased demand for services. Work is ongoing between Adult Health & Care and Wirral CCG to find means of managing this, including income generation and cost reduction plans. There is a potential further risk of £0.5m to Adult Health & Care if the pool is still in deficit at year-end.

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 31 December 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	2018/19 Saving £000	Amount Delivered at Q3 £000	Mitigation £000	To be Delivered £000
Care and Health	2,000	1,303	0	697
Business Management	4,696	4,603	0	93
Children's Services	5,200	3,800	0	1,400
Delivery Services	916	486	30	400
Economic & Housing Growth	212	212	0	0
Strategy and Partnerships	185	150	0	35
Total	**13,209**	**10,554**	**30**	**2,625**

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 3 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
Cabinet - Revenue Monitoring 2018/19 Quarter 2	November 2018

MINUTE EXTRACT
BUDGET CABINET
18 FEBRUARY 2019

52 **CAPITAL MONITORING 2018/19 QUARTER 3 (TO DECEMBER 2018)**

Councillor Janette Williamson (Cabinet Member for Finance and Income Generation) said:
"*This year we have an ambitious capital programme that supports our objective of making major investments in Wirral. We are improving infrastructure, the public realm and the local environment which residents are rightly proud of.*

This report demonstrates this investment and provides our progress in some of the main areas to evidence to our residents that we are making the best use of resources available to us to help improve services for local people.

In continued times of austerity we need to take opportunity from utilising capital funding to invest in our borough – we are not allowed to use capital funding to pay for day to day services, but we can use it to ensure our assets are the most up to date and digitally equipped as they can be as this will result in reduced day to day costs in the future."

The Cabinet Member for Finance and Income Generation provided an update on the Capital Programme 2018/19 as at the end of December 2018. It recommended that Cabinet agreed the 2018/19 Capital Programme of £53.5 million which took account of re-profiling, additional funding requirements and additional grants identified since September 2018. Expenditure to date was £33.3 million.

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

RESOLVED: That Cabinet:

(1) Notes the expenditure at Quarter 3 of £33.3 million.

(2) Notes the additional grant allocations referred to in paragraph 3.10 of the report.

(3) Approves additional funding for the schemes referred to in paragraph 3.8 of the report.

(4) Approves funding brought forward from 2019/20 referred to in paragraph 3.9 of the report.

(5) Recommends that Council approves the revised Capital Programme of £53.5 million for 2018/19.

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WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **18 FEBRUARY 2019** **CAPITAL MONITORING 2018/19** **QUARTER 3 (TO DECEMBER 2018)**

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"This year we have an ambitious capital programme that supports our objective of making major investments in Wirral. We are improving infrastructure, the public realm and the local environment which residents are rightly proud of.

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In continued times of austerity we need to take opportunity from utilising capital funding to invest in our borough – we are not allowed to use capital funding to pay for day to day services, but we can use it to ensure our assets are the most up to date and digitally equipped as they can be as this will result in reduced day to day costs in the future."

REPORT SUMMARY

This is an update on the Capital Programme 2018/19 at the end of December 2018. It recommends that Cabinet agree the 2018/19 Capital Programme of £53.5 million which takes account of re-profiling, additional funding requirements and additional grants identified since September. Expenditure to date is £33.3 million.

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

RECOMMENDATIONS

1 To note the expenditure at Quarter 3 of £33.3 million.

2 To note the additional grant allocations referred to in paragraph 3.10.

3 To approve additional funding for the schemes referred to in paragraph 3.8.

4 To approve funding brought forward from 2019/20 referred to in paragraph 3.9.

5 To recommend that Council approves the revised Capital Programme of £53.5 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. The position at quarter 3 reflects the following changes since the Quarter 2 which are detailed in Tables 1 and 2.

	£000
Programme agreed by Cabinet on 26 November 2018	60,948
Re-profiling	(11,448)
Funding brought forward from 2019/20	700
Additional grant funding	1,780
Increased requirements	1,597
Revised 2018/19 Programme	**53,577**

Table 1: Capital Programme 2018/19 at 31 December 2018

	Original Capital Strategy	Q2 Revised Strategy	Q3 Revised Strategy	Q3 Actual Spend
	£000	£000	£000	£000
Adult Care & Health	7,912	3,468	1,204	504
Business Management	4,990	5,489	6,239	3,495
Childrens Services	19,099	18,341	17,164	11,684
Delivery Services	24,775	21,692	17,600	10,189
Economic & Housing Growth	17,785	11,958	11,370	7,396
Total expenditure	**74,561**	**60,948**	**53,577**	**33,268**

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

Scheme	£000
Adult Care & Health	
Assistive technology - re-profiling	(277)
Citizen and Provider Portal - re-profiling	(302)
Extra Care Housing - re-profiling	(1,245)
Heswall Day Centre - re-profiling	(260)
Pensby Wood - reduced requirement	(210)
Business Management	
Windows 10 Rollout - b/fwd from 2019/20	250
Early Voluntary Retirement - additional requirement	500
Childrens Services	
Schools condition and modernisation - re-profiling	(400)
School remodelling/primary places - re-profiling	(300)
Basic Needs	(320)
Delivery Services	
Tower Rd National Productivity Investment Fund - re-profiling	(200)
Cleveland St Transport Depot – re-profiling	(310)
West Kirby Flood Alleviation - re-profiling	(519)
Street lighting column upgrade/replacement and LED replacement - re-profiling	(450)
Leasowe Leisure 3G - re-profiling	(560)
Beechwood Recreation Centre - re-profiling	(280)
Soft Play Areas Leisure Centres	(328)
Wirral Tennis Centre Facility Upgrade	(390)
Arrowe Park Machine Shed/Wash Bay	(200)
Economic & Housing Growth	
Investment in properties - b/fwd. from 2019/20	450
Housing Infrastructure Marginal Viability Fund - re-profiling	(1,032)
Business Investment Fund - re-profiling	(1,306)
New Ferry Regeneration Strategic Acquisitions (approved by Cabinet 17th December 2018)	1,300
	(6,389)
Other minor variations	(1,012)
Total	**(7,401)**

3.2 Schemes are subject to an ongoing review to ensure that a deliverable programme is in place, that they are compatible with the 2020 Vision and to contribute to corporate savings. Current progress on schemes is provided in the following sections.

3.3 **Adult Care & Health**

3.3.1 Assistive Technology - various independent monitoring systems have been identified to support and maintain people living in their own homes, reducing the need for care packages and delaying the need for residential care. Work is continuing to identify suitable Medication Administration Record systems, the evaluation of both Geolocation tracking and home-smart monitoring systems.

3.3.2 Citizen and Provider Portal - progressing with the development of Liquidlogic and the integration of the ContrOCC system which helps teams improve the accuracy of their payments and charges. Commitments of £0.165 million are expected this year although actual payment only takes place once “go live” has been successfully implemented.

3.3.3 Extra Care Housing - the Council to pay Alpha Living £0.440 million in order for 78 units of extra care to be developed at Woodpecker Close. Onward Housing has now advised that their site acquisition is like to occur in July 2019. It is unlikely that the Council will incur any associated costs until then.

3.4 **Business Management**

3.4.1 Digital corporate storage - SCC has now been appointed as the ICT strategic partner who will be working to determine the best solution for the council.

3.4.2 Windows 10 rollout - the programme to provide all staff with the latest Operating System (Windows 10) and additional software to enable agile working is well under way. Completed in Children’s Services and Business Change and OD Team, it is ongoing in Digital and plans have been drawn up for the rest of the Council.

3.5 **Childrens Services**

3.5.1 **Higher Bebington Junior School:** This scheme is required to cater for an increase in pupil numbers [capacity]. It consists of extending three existing classrooms, new pupil toilet facilities (DDA compliant), major internal re-configuration of four classes, re-location of staff offices and improved main entrance. Estimated expenditure is over £0.6 million. It is on target financially and contractually to be completed by the middle of February 2019.

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3.5.2 **Well Lane Primary School:** This project consists of the internal refurbishment of the key stage 2 areas including new pupil toilets, enlarging two classrooms, a new main entrance and office accommodation. Estimated expenditure is £0.3 million. It is on target financially and contractually to be completed by the end of January 2019.

3.5.3 **West Kirby Primary School:** The project consists of a new main entrance with improved security, reception and Head-teachers office, minor internal re-configuration, infill of an unused area to form a new classroom in a non-traditional design. Estimated expenditure is £0.3 million It is on target financially and contractually to be completed by the end of March 2019.

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3.5.4 **New Brighton Sports Barn:** This is a stand-alone sports barn development to provide the school and community with the facility to carry out sports curriculum and improve pupil lifestyle and well-being. The project has been tendered to the amount of £0.4m including professional fees and statutory costs. The project is due to commence early February 2019 and is estimated to be completed by early July 2019**.**

3.5.5 **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 Services to improve social work practices and outcomes for children, reduce numbers of Children Looked After and establish a stable workforce with reduced reliance on agency workers.

3.6 **Delivery Services**

3.6.1 Highway maintenance - the most significant areas of expenditure are in respect of micro asphalting (£0.89 million) and the programme of surface dressings (£0.48 million).

3.6.2 Sustainable Transport Enhancement Programme (STEP). Expenditure is focused on 2 significant schemes; Northbank East (£0.51 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 (£0.22 million) which will also improve accessibility for pedestrians and cyclists, including improved safety for cyclists through the provision of an off road route.

3.6.3 Transport for Growth - expenditure has been incurred on a number of schemes to date. The most significant are the improvements to the junction of the M53 and A554 (£0.575 million); cycle and footway improvements (£0.206 million) and creating sustainable travel links at Duke Street (£0.105 million).

3.6.4 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. Dangerous potholes are treated as a priority for action. Efforts are directed both to repairs and prevention. By the end of December 70% of the original allocation has been spent.

3.6.5 Leasowe 3G pitches – The tendering process will commence in early February. Planning approval is pending and expected at the beginning of February following FA Guidelines being met for 3G Football Turf Pitch Design, lighting design, drainage solutions for both the new 3G pitch and the proposed

extended car park arrangements and requirements for the modular changing room block.

3.6.6 Street lighting column upgrade/LED replacement - delays have occurred in procuring a contractor to undertake the installation works. The tender will now be advertised in January 2019 and it is anticipated that the installation work will commence on 1 April 2019.

3.6.7 Pool covers - each site requires a bespoke pool cover. Currently researching companies who are able to provide a professional site survey and that will also offer solutions to the practical problems of installing the covers.

3.6.8 Cleveland Street Transport Depot - expenditure is on hold pending the outcome of the feasibility study into the possibility of a depot supersite.

3.6.9 West Kirby flood alleviation - the contract for ground work investigations has now been awarded with work due to start in February 2019. It is expected that the scheme will be completed during 2019/20.

3.6.10 Beechwood Recreation Centre - the scheme had been on hold for a number of months pending a community asset transfer decision. However, the asset will remain within the Council and works can now progress.

3.7 **Economic and Housing Growth**

3.7.1 Within the programme is an allocation of £9.8 million for investment in properties to fund acquisitions that will provide a revenue income stream to the Council. Acquisition of the Vue cinema has been completed at a cost of £7.1 million. The acquisition of the leasehold interest in Birkenhead Market will be completed by 2nd February when the management Market will return to the council.

3.7.2 Business Investment Fund – approval is to be sought from Wirral Waters Programme Board recommending approval of grant support for a local business expansion in Wirral. The expectation is that £30,000 will be spent by the end of this financial year.

3.7.3 Housing Infrastructure Marginal Viability Fund - relates to £6 million in government funding which will be used for infrastructure works including land remediation, public realm works and utilities provision at Northbank, Wirral Waters. Negotiations over the receipts of the funding with Homes England is likely to see the funding provided in 2019/20.

3.8 **APPROVAL FOR ADDITIONAL FUNDING**

3.8.1 **Cemetery extensions and improvements (£59,000)**
Part of the approved scheme relates to the replacement of the outdated cemetery and crematorium software system to implement an accurate mapping system for all the cemeteries. A full tender and evaluation process has now been undertaken and the cost of a replacement system is £125,000.

An additional £59,000 is requested to procure the system which will enable the cemeteries and crematorium to continue to operate and will provide an accurate mapping system of all graves within the Council cemeteries.

3.8.2 **Demolition of Seacombe Community Centre (£100,000)**
The centre has been vacant for some time following a closure mainly due to safety issues. A number of community organisations had expressed interest in taking over the building however, costs of remediation and running costs render the centre uneconomically viable and as a result demolition is the most suitable option.

3.8.3 **Early Voluntary Retirement (£500,000)**
The costs associated with the latest round of EVRs (severance and pension strain) is estimated to be £2.5 million, £0.5m higher than the £2 million already included in the capital programme. This additional amount will be funded from capital receipts, taking advantage of the flexible use of capital receipts regulations.

3.9 APPROVAL TO BRING FUNDING FORWARD FROM 2019/20

3.9.1 **Windows 10 (£0.250 million)**
The pricing for Lenovo hardware (laptops and desktops) is based on £/$ exchange rate. Since the first order was placed in October 2018 the pound has weakened and the anticipated increase is between 5-12% on current prices. The further £0.150 million is to fund the expected implementation costs this financial year.

3.9.2 **Investment in Properties (£0.450 million)**
Funding brought forward from 2019/20 to cover the estimated stamp duty for the purchase of Birkenhead Market and the Vue Cinema.

3.10 NOTIFICATION OF ADDITIONAL GRANT FUNDING

3.10.1 **Highway Maintenance (£1.465 million)**
In October 2018, the Chancellor announced a further £420 million of new money for local highways maintenance. This additional resource is being allocated using the highways maintenance funding formula and is for the repair of roads (including potholes), bridges and local highways infrastructure generally.

3.10.2 **Key Route Maintenance (£0.315 million)**
The Liverpool City Region Combined Authority announced a top slice from the Integrated Transport Budget for funding to be spent on the KRN.

3.10.3 Due to the late announcement of these additional amounts both these grants will be applied to fund schemes in 2019/20.

FINANCING OF THE CAPITAL PROGRAMME

3.11 Table 3 summarises the financing sources.

Table 3: Revised Capital Programme Financing

Capital Programme Financing	Capital Strategy	Revised Programme
	£000	£000
Borrowing	33,584	25,466
Capital Receipts	14,162	14,076
Grants/loans	20,815	14,035
Business Rates (Wirral Waters - ring-fenced)	6,000	0
Total Financing	**74,561**	**53,577**

3.12 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

3.13 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.

3.14 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. Table 4 assumes that the estimates, set out at Table 1 is agreed. Receipts and funding assumptions are based upon the latest available information and are subject to change.

Table 4: Projected Capital Receipts position

	2018/19	2019/20
	£000	£000
Capital Receipts Reserve	1,672	1,201
Cash receipts received to date	1,419	0
Anticipated receipts	12,186	5,177
Required to fund Childrens improvement programme	(11,100)	0
Required to fund Transformation schemes	0	(1,500)
Required to fund EVR/VS scheme	(2,500)	0
Required to fund capital programme	(476)	0
Closing Balance	1,201	4,878

3.15 The assumption for receipts in 2018/19 is predicated on the fact that the Children's Services Improvement Programme £11.1 million and the EVR/VS scheme are to be funded from allowable receipts. Critical to this assumption is the disposal of Acre Lane. The receipt for Acre Lane will be over a 3 year period. It is still anticipated that the agreement with Morris Homes will be signed before 31st March 2019 and accounting rules will then permit the total receipt to be accounted for in the first year. If the anticipated receipts do not come to fruition, this will cause a subsequent revenue pressure of £10.7 million.

4.0 FINANCIAL IMPLICATIONS

4.1 The revised 2018/19 Capital Programme is £53.577 million and anticipated capital receipts remaining at the year-end £1.201 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	90	4	90	-	90
Extra Care Housing	440	-	-	440	440
Citizen & Provider Portal/I.T.	50	25	-	50	50
Assistive Technology	185	103	-	185	185
Pensby Wood re-modelling (including fit out)	439	372	439	-	439
	1,204	**504**	**529**	**675**	**1,204**
Business Management					
Demolish former Rock Ferry High	-	29	-	-	-
Windows 10 rollout	2,272	1,286	2,272	-	2,272
Digital corporate storage	1,000	-	1,000	-	1,000
Data centre	169	162	169	-	169
Creative and digital team software/hardware	48	18	48	-	48
Transformation Programme EVR/VS	2,500	2,000	2,500	-	2,500
Access Wirral	250	-	250	-	250
	6,239	**3,495**	**6,239**	**-**	**6,239**

Childrens Services	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Condition/modernisation	3,600	2,492	-	3,600	3,600
School remodelling (Primary places)	600	138	600	-	600
Basic Needs	1,000	431	-	1,000	1,000
SEN and disabilities (new grant)	206	23	-	206	206
Healthy Pupils Capital Fund	245	19	-	245	245
SEND assisted travel (replace adult fleet)	266	256	250	16	266
Systems improvements (liquidlogic)	147	-	147	-	147
Improvement Programme	11,100	8,325	11,100	-	11,100
	17,164	**11,684**	**12,097**	**5,067**	**17,164**

Delivery Services	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Building refurbishment to increase occupancy	200	295	200	-	200
Treasury building	150	21	150	-	150
Highway maintenance	2,637	2,204	-	2,637	2,637
BAMN Commercial Settlement	305	305	305	-	305
Pot hole action fund	563	392	-	563	563
Bridges	306	97	156	150	306
Dock bridges replacement	900	817	758	142	900
Coast protection	38	6	38	-	38
Transport for growth	2,761	1,160	1,611	1,150	2,761

Delivery Services (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
BAM vehicles purchase	145	83	145	-	145
Sustainable transport (STEP)	1,512	850	887	625	1,512
Street lighting and LED replacement	349	380	349	-	349
Street lighting column upgrade/replacement/LED replacement	250	68	-	250	250
Car parking	3	3	3	-	3
Illuminated lighting and street signage	250	-	250	-	250
New Brighton infrastructure	250	90	250	-	250
Thermal mapping	10	-	10	-	10
Key Route Network	340	12	40	300	340
TAG feasibility studies	210	188	-	210	210
Major infrastructure development/planning	40	-	40	-	40
Highways asset management system	266	-	266	-	266
Cleveland St transport depot	20	-	20	-	20
Surface water management	60		-	60	60
West Kirby flood alleviation	180	52	84	96	180
Aids, adaptations and DFGs	2,000	1,494	-	2,000	2,000
Restore empty homes	60	-	-	60	60
Clearance	50	11	-	50	50
Home improvement	500	370	500	-	500
New house building programme	89	34	89	-	89
CCTV cameras and other equipment	83	62	83	-	83

Delivery Services (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Eureka	268	165	268	-	268
Hand arm vibration equipment	75	8	75	-	75
Park depots rationalisation	3	114	3	-	3
Transport museum	66	79	66	-	66
West Kirby sailing centre accommodation	564	252	564	-	564
The Oval redevelopment	23	-	23	-	23
Beechwood recreation centre	150	38	150	-	150
Pool covers	5	-	5	-	5
Williamson Art Gallery refresh	250	-	250	-	250
Williamson Art Gallery catalogue	26	-	26	-	26
Arrowe park depot resurfacing, bays etc	150	-	150	-	150
Birkenhead park depot resurfacing	123		123	-	123
Play area improvements	180	126	180	-	180
Floral Pavilion audio desk	35	27	35	-	35
Landican Chapel improvements	330	13	330	-	330
Beach Cleaning - replacement of equipment	175	4	175	-	175
Cemetery Extensions and Improvements	375	260	375	-	375
Wirral sailing centre boats/equipment	15	4	15	-	15

Delivery Services (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Grants £000	Total Funding £000
Floral Pavilion chiller units	55	44	55	-	55
The Oval grandstand structural works	55	61	55	-	55
Demolish Seacombe Community Centre	100	-	100	-	100
Public toilets upgrade	50	-	50	-	50
	17,600	**10,189**	**9,307**	**8,293**	**17,600**
Economic & Housing Growth					
Industrial Estates	44	44	44	-	44
Fund to assist land assembly and re-sale	246	230	246	-	246
Business Investment Fund	30	-	30	-	30
New Ferry Regeneration Strategic Acquisitions	1,300	-	1,300	-	1,300
Investment in properties	9,750	7,122	9,750	-	9,750
	11,370	**7,396**	**11,370**	**-**	**11,370**
Total	**53,577**	**33,268**	**39,542**	**14,035**	**53,577**

Capital Receipts 2018/19 **APPENDIX 2**

Cash Received	**£000**
Tarran Industrial Estate land	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	165
245 Liscard Rd / 2 Lathom Ave	89
140a Church Rd Tranmere	60
14, 15b Tarran Industrial Estate	230
25 Tarran Industrial Estate	187
The Dell Public House	92
Egerton St	50
	1,419

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MINUTE EXTRACT
BUDGET CABINET
18 FEBRUARY 2019

53 **2019/20 BUDGET PROPOSALS SCRUTINY REPORT**

Councillor Phil Davies, Leader of the Council, said:

"*Making sure Members of all parties have the chance to properly scrutinise the council budget and the proposals to save money is vital. It brings the expertise and experience of all Members into the process, and always generates helpful debates and constructive feedback. The Cabinet places on record its thanks to every Member who participated in this process.*"

The Leader of the Council introduced a report which set out the feedback from the Council's Overview and Scrutiny Committees in relation to the Budget Proposals for 2019/20. This followed a series of budget scrutiny workshops held during December and January. A report from each committee was included as an appendix to this report, and captured the issues raised and general feedback from Overview and Scrutiny Committee Members at the workshop sessions.

The Leader stated that Cabinet had studied the feedback from the Scrutiny Workshops in detail and had incorporated ideas where appropriate. He added that Cabinet wished to record its appreciation and thanks to all Members who took part in the process.

As the report addressed the proposals for the 2019/20 budget, it related to all Wirral Plan pledges and all wards in the borough.

The report was not a key decision.

RESOLVED:

That the content of the reports be noted.

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WIRRAL

 **COUNCILLOR PHIL DAVIES**	**CABINET** **18 FEBRUARY 2019** **2019/20 BUDGET PROPOSALS SCRUTINY REPORT**

Councillor Phil Davies, Leader of the Council, said:

"Making sure Members of all parties have the chance to properly scrutinise the council budget and the proposals to save money is vital. It brings the expertise and experience of all Members into the process, and always generates helpful debates and constructive feedback. The Cabinet places on record its thanks to every Member who participated in this process."

REPORT SUMMARY

This report sets out the feedback from the Council's Overview and Scrutiny Committees in relation to the Budget Proposals for 2019/20. This follows a series of budget scrutiny workshops held during December and January. A report from each committee is included as an appendix to this report. These capture the issues raised and general feedback from Overview and Scrutiny Committee Members at these sessions.

As the report addresses the proposals for the 2019/20 budget, it relates to all Wirral Plan pledges and all wards in the borough.

The report is not a key decision.

RECOMMENDATION/S

Cabinet is requested to consider the content of these reports as part of its deliberations in developing any budget recommendation for Council.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 For Cabinet to consider the feedback of the four Overview and Scrutiny Committees in developing any budget recommendation to Council.

2.0 OTHER OPTIONS CONSIDERED

2.1 The approach taken by the scrutiny function in reviewing the budget proposals is consistent with previous years. No other options were considered.

3.0 BACKGROUND INFORMATION

3.1 The approach to scrutinising the 2019/20 budget proposals is consistent with that adopted in previous years. The Overview and Scrutiny Committees prioritised those proposals they wanted to examine in more detail and convened a dedicated session for this purpose.

3.2 The sessions, held in December and January, were attended by relevant Council officers for Committee Members to ask questions about the proposals. Issues raised and comments made were captured in a report following each session. These were presented to the regular January meetings of the Overview and Scrutiny Committees where they were referred on to Cabinet. The four reports are included as Appendix 1, 2, 3 and 4 to this report.

3.3 The draft minute extracts from the January Overview and Scrutiny Committee meetings are also highlighted as Appendices 5 to 8 of this report.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising as a result of this report.

5.0 LEGAL

5.1 There are no legal implications arising as a result of this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no resource implications arising as a result of this report.

7.0 RELEVANT RISKS

7.1 There are no risk implications arising as a result of this report.

8.0 ENGAGEMENT / CONSULTATION

8.1 This report sets out the engagement of scrutiny in reviewing the Council's 2018/19 budget proposals. Separate consultation activities will be delivered where there is a requirement to do so.

9.0 EQUALITY IMPLICATIONS

9.1 The report is for information and there are no equality implications arising directly from this report.

REPORT AUTHOR: **Carl Gurnell**

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APPENDICES

Appendix 1 - 2019/20 Budget Scrutiny – Adult Care and Health O&S Committee

Appendix 2 - 2019/20 Budget Scrutiny – Business O&S Committee

Appendix 3 - 2019/20 Budget Scrutiny – Children and Families O&S Committee

Appendix 4 - 2019/20 Budget Scrutiny – Environment O&S Committee

Appendix 5 – Draft Minute – Adult Care and Health O&S Committee

Appendix 6 - Draft Minute – Business O&S Committee

Appendix 7 - Draft Minute – Children and Families O&S Committee

Appendix 8 - Draft Minute – Environment O&S Committee

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
2018/19 Budget Proposals Scrutiny Report	**19 February 2018**
2017/18 Budget Proposals Scrutiny Report	**31 January 2017**

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APPENDIX 1

2019/20 Budget Proposals

Report of Adult Care and Health Overview & Scrutiny Committee

January 2019

Contents

1. INTRODUCTION

A dedicated scrutiny workshop was convened for Members of the Adult Care and Health Overview and Scrutiny Committee on Thursday 6th December 2018 in order to discuss the budget proposals for 2019/20. This workshop provided committee members with an opportunity to examine in greater detail the budget proposals and saving plans affecting services that fall under the remit of the committee. Both budget proposals put forward were selected for further examination by the Chair and Party Spokespersons. This report summarises the proposals considered and the comments and suggestions of attending Members.

It was agreed that, following the workshop, a report summarising any recommendations would be produced by the Committee. Following approval, this report will be presented to the next meeting of the Adult Care and Health Overview & Scrutiny Committee in January 2019.

2. BUDGET PROPOSALS – OVERVIEW

2.1 Use of Grant Funding

Summary of Proposal

A review of contractual obligations in order to identify financial savings in current public health contracts to find approximately £800,000 for reinvestment into other Council services that deliver public health outcomes.

The Acting Director for Health and Wellbeing provided an overview of the current Public Health budgetary position alongside the proposed reviews into contractual obligations in order to identify efficiencies. The majority of Public Health funding is used to commission services – with £20 million of the budget being used to fund current contracts. The proposal put forward to Members of the Adult Care and Health OSC was that savings would be found within current contracts funded through grant money, and these savings re-invested into other Council services that have clear public health outcomes. It is proposed that there will be a re-allocation of grant funding to deliver one-off benefits for the next financial year.

The Public Health budget (less staffing costs) stands at £28.7m for 2019/20 – with all funding a result of the government grant for public health. This total has not changed from the previous year. However, Members were informed that uncertainty exists around the future funding of the public health function and it is therefore not practical to forecast savings beyond the life of the current grant funding which is due to end on 31st March 2020.

Members were informed that the current drug and alcohol treatment contract will finish on 31st January 2020. Following this, it is the intention to recommission this

service to create a two month period from February to March 2020 where an efficiency of £350,000 can be achieved. Although there was consideration given to delaying the recommissioning of this service, the risk to the service user was deemed to be too great - with any gap in provision affecting those accessing drug and alcohol treatment services.

It is also expected that smaller Public Health schemes will be reviewed as part of the budget setting process for 2019/20, with a view to achieving a further efficiency of £500,000.

This total of £850,000 will be used to fund other Council services and will allow more flexible use of Council resources towards meeting the budget deficit.
The Public Health grant is awarded on acceptance of a condition that the money received will be used against services that improve public health and have clear outcomes for population wellbeing. For this reason, the money that is reallocated will be used for services such as Housing, Licensing, and Environmental Health.

Summary of Member Comments and Workshop Discussions

- Members were keen to seek assurance that the contract efficiencies found would not be at the expense of Wirral residents.

  Members were advised that efficiencies would be achieved through recommissioning and would not affect service delivery. Furthermore, the Acting Director stated that linking with other services with clear benefits to population health and wellbeing (such as Housing and Licensing) fits well with the public health agenda and this should be the approach that is encouraged.

- Members asked if the reallocation of public health money could inadvertently end up subsidising services that should be funded by central corporate resources.
  Members were informed that funding would be reinvested so that there could be an opportunity for central resources to be used for alternative purposes, thus positively impacting on the Council wide budget deficit.

- Members sought clarity on the role of GP funding within public health.
  The Acting Director stated that, although GPs provide support for individuals, a more meaningful dialogue must be entered into with general practice in order to focus on a more collaborative partnership approach. In particular, users of the drug and alcohol service can be a challenging client group, and engagement can be difficult as they tend not to be forthcoming in accessing GP support for their wider health needs. This is an area where Public Health and general practice could provide a more complete service across Wirral.

- Members asked if it would be beneficial for Public Health to align more closely with NHS colleagues.
  Members were advised that, although perhaps it may make financial sense for public health and general health services to be closely affiliated, the public health approach should be more holistic. Providing support for other Council services such as Housing and Licensing will result in better outcomes for Wirral residents.

2.2 Mitigating Adult Social Care demand through maximising independence and wellbeing

Summary of Proposal

A number of savings plans and mitigations have been formulated to meet the cumulative gross budget deficit of £7.8m forecast for Adult Social Care in 2019/20. This includes a focus on service delivery efficiencies, service quality improvements and income generation, as well as use of national grants and funding.

The Director of Care and Health introduced a presentation that provided a breakdown of the Adult Social Care budget; how the budget is made up, sources of income, the key areas of expenditure and how people receive support. The budget for 2018/19 is £148.7m – with the majority of this money providing services based on formal assessments of need. The Director assured Members that these services are 'demand-led' and not dictated by budget, and gave an overview of types of services that benefit from Adult Social Care funding – such as reablement, Shared Lives services, domiciliary care and supported living. Over recent years, there has been a shift of focus to community based care such as domiciliary support; with £59.4m directed towards community care services in 2018/19.

The Assistant Director for Health and Care Outcomes provided more detail on how proposed efficiencies in 2019/20 would lead to budget savings. Alongside a breakdown of expected grant funding and income, there will be clear focus on improving current performance and promoting independence and wellbeing in order to deliver further efficiencies.

Wirral's Better Care Fund allocation for 2019/20 is scheduled for a net increase of £3.5m, which will primarily be used for the protection of social care services. It is also expected that efficiency targets of £2.3m will be achieved for 2019/20 through delegated arrangements with Wirral Community Foundation Trust and Cheshire and Wirral NHS Partnership Trust. Discussions are set to continue with these partners to ensure this target is achievable. Members were informed of Adult Social Care's intention to use the £1.8m government 'winter pressures' grant in order to cover the costs of increasing demand for domiciliary care. This additional funding will contribute to reducing pressures on primary NHS services over winter.

In addition to this, further efficiencies will be realised by the promotion of supported accommodation as an alternative to residential and nursing care. This move will encourage more independence and achieve cost effectiveness, with a projected saving of £600,000. It is also envisaged that complex care packages will be reviewed on a regular basis to deliver savings of approximately £400,000.
Ensuring that best practice is delivered consistently will result in further efficiencies in 2019/20; this includes use of the 'Trusted Assessor' in domiciliary care alongside implementation of improved models for supported living, accommodation based services and flexible support. Alongside this, a predicted saving of £100,000 will be

realised by effective commissioning of preventative services for complex needs, and use of assistive technology as well as a Homesharing pilot scheme.

Members were advised that there are a number of cost pressures and potential challenges associated with the budget for 2019/20, although these reflect similar issues that have affected Adult Social Care in previous years and will present expected risks that can be mitigated.
Notably, consideration was given to the impending increase in the National Living Wage (NLW) and the subsequent effect on service provider fees. Members were informed that in order to keep fee rate increases in line with the 4.9% NLW increase, an investment of approximately £4m would need to be found as opposed to the £3m built into the forecast. Alongside this, there is also some uncertainty around further funding streams; including a reduction to the Independent Living Fund Grant and the potential cessation of the Adult Social Care Grant, of which Wirral received £1.1m in 2018/19.

Summary of Member Comments and Workshop Discussions

- Members requested clarification around how nursing homes are funded.

  The Director of Care and Health provided an overview of how NHS funded nursing care functions. Members were advised that nursing homes are part-funded by the NHS – with a standard weekly rate of funding across England. Adult Social Services fund the remaining part of nursing care, with potential top up fees payable by the resident dependant on the level of care and the home chosen.

- Members asked if there is any difficulty in finding specialist homes for dementia patients.
  Members were advised that the majority of residents admitted to residential care homes are admitted for 'non-physical' reasons. Wirral has seen an increase in demand for care of elderly, mentally impaired residents – however, there has also been an increase in providers. There has been a consistent vacancy capacity of around 8% in Wirral and therefore enough market supply for those who need it. It is, however, increasingly difficult to find care home vacancies at the Council's "usual rate", with more and more residents and families electing to pay 'top up' fees. Members were also informed that some residential homes are dual registered and can provide residential care for persons with general needs, but can also provide nursing care if those needs become more complex.

- Members asked if GPs contribute any funding to the care sector.
  Members were advised that although GPs do not directly contribute financially to adult social care services, they do receive an allocation of funds dependent on the number of frail, older persons registered with them, in order to support their general wellbeing.

- Members showed concern that there may be a 'drop off' in providers if funding had to be negotiated around the NLW increase.

The Assistant Director assured Members that everything will be done to negotiate effectively with providers and to ensure funding is targeted correctly. Wirral has developed and sustained good relationships with care providers.

- Members queried if it might be necessary to commission care providers from outside of Wirral, or to expect Wirral residents to have to travel across the region to receive support.
  There is a commissioning framework currently in development, through the Joint Strategic Commissioning Board, to commission complex care across the six local authorities in Merseyside with potential to bring commissioning efficiencies and greater oversight of the market across a wider footprint. This could mean a wider breadth of care providers, however Wirral residents will be supported close to home, and care staff will primarily be recruited from within Wirral. In addition to this, Members were advised that on previous occasions where national providers have been commissioned, outcomes have not been as positive as when locally obtained. A recent domiciliary care commissioning process has emphasised providers working together on a local basis and the requirement for social value.
  Members commented that it may be beneficial to carry out open recruitment exercised from community centres, to target members of the immediate locality that can provide care within their neighbourhoods. In addition, social landlords may also be able to assist in care sector recruitment locally. Officers welcomed these suggestions and advised that they would pass these comments onto commissioners in those areas of the market.

- Members sought clarification on the scale of care banding and eligibility.
  Assurance was given to Members that all operational delivery partners are required to apply the same national eligibility criteria as set out in the statutory guidance of the Care Act 2014. However, even if a person does not meet the eligibility criteria for funded support, they will be directed elsewhere or offered advice on how their needs can be met. Local Authorities also focus on early intervention to help maintain independence and wellbeing, and potentially delay a situation where longer-term care and support might be required.

- Members noted that plans proposed that high value packages of care were reviewed annually and requested further detail around this.
  Officers informed Members that all packages of care should be reviewed annually, and that there is a focus on ensuring these reviews are all carried out going forward. Particular emphasis will be given to reviewing packages of care that exceed £1000 per week which are a smaller number of cases. Reviews take place to guarantee that the best interests of the person are being met, and ensure their package of need is the best option for them. In an environment where technology is continually improving, it is important to ensure that the possibility of providing support differently is explored.

- Members requested further detail around how the allocation of care providers works across Wirral.
  The Director of Care and Health advised that care providers generally work in ‘zones’ across Wirral. Alternatively, there may be occasions on which a service user

chooses to have their support delivered by a specific provider, or is in receipt of a Direct Payment. Nursing Care is generally provided on the basis of patient choice, however, availability and affordability can both impact on this.

- Members asked if there were any consultations planned in regard to recommissioning of services.
  There are no current plans for formal consultation although some efficiency plans may require engagement with service users and providers.

3. CONCLUSIONS

Members agreed to the Health & Care savings and efficiency plans put forward as part of the budget proposal process under the Committee's service remit.

Members suggested that community centres and groups, along with social landlords, were included in any care sector recruitment exercises and planning.

Members welcomed the innovative approach to cost saving through schemes such as the HomeSharing Pilot, and the added social value and focus on wellbeing associated with such programmes.

Members were assured by officer responses to concerns, and thanked them for their reports and presentations.

Appendix 1 – Workshop Attendance

Members of Adult Care and Health Overview & Scrutiny Committee:

Cllr Julie McManus (Chair)
Cllr Bruce Berry
Cllr Wendy Clements
Cllr Phil Gilchrist
Cllr Sharon Jones (Vice Chair)
Cllr Tony Norbury
Cllr Leslie Rennie

Officers:

Julie Webster, Acting Director for Health and Wellbeing
Graham Hodkinson, Director for Care and Health
Jason Oxley, Assistant Director Health and Care Outcomes
Mathew Gotts, Principal Accountant
Alexandra Davidson, Scrutiny Officer
Anna Perrett, Scrutiny Officer

Apologies:

Cllr Gerry Ellis
Cllr Samantha Frost
Cllr Christina Muspratt
Cllr Irene Williams

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APPENDIX 2

2019/20 Budget Proposals

Report of the Business Overview & Scrutiny Committee

22nd January 2019

Contents

Page

1. Introduction

A dedicated 2019/20 budget proposals workshop for Members of the Business Overview and Scrutiny Committee was held on Tuesday 11th December 2018.

The workshop provided the committee with the opportunity to examine in greater detail a number of budget proposals affecting services that fall under the remit of the committee. Four budget proposals selected for further examination were identified though engagement with the Chair and Party Spokespersons as those deemed to be of greatest significance in terms of value and the public interest. This report summarises both the budget proposals and the comments of Members attending the workshop.

At the commencement of the workshop, a statement was read out by the Party Spokesperson for the Conservative Party and it was requested that this be recorded as part of the scrutiny process into the budget proposals. The statement is detailed below:

> *"The Conservative Members do not believe that a workshop is the appropriate way for the Cabinet's budget proposals to be considered by this committee. The budget proposals have a wide ranging impact on many communities in our Borough and we believe that the discussions should be held in public at a formal meeting of this committee which is minuted and recorded"*

2. Budget Proposals

2.1 Benefits of Economic Regeneration

Summary of Proposal

Wirral Council is working alongside Muse to identify key development opportunities across Wirral. A key development is the Birkenhead Commercial District (BCD). Initial plans have been drawn up for the BCD which includes the development of four office buildings, a new market, new leisure facility and improved public realm.

On 26th November 2018 Cabinet approved a draft business case for the BCD. This will be refined through public consultation and engagement with a funder. Specifically, Cabinet agreed the following:

- 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.
- The recommended funding approach and authorisation for the S151 Officer to initiate work on a Forward Funding model of finance with Wirral Growth Company.

Wirral Growth Company is also proposing to progress public consultation on other phase one sites. These include Moreton (Foxfield & Pasture Road), Bebington and West Kirby, as well as consultations with stakeholders for Bromborough's Industrial Estate. This will inform future development plans and master planning. It is anticipated that, alongside Birkenhead, these sites will form part of the phase one development programme for Wirral Growth Company.

As part of its bid and as reported to Cabinet, Muse calculated that the total return to the Council from 11 identified sites would be £30.4m (net). This was a combination of payments for sites, profit from developments and interest on the Council's investment. This was on the basis of a first phase development programme of £250m across residential, commercial and industrial developments.

As part of the set up phase of Wirral Growth Company, work is being undertaken to plan and coordinate development work over the next three years. These details will be incorporated into the Partnership Business Plan (PBP) that Wirral Growth Company will submit early 2019. The plan is intended to help smooth the development timetable and explore how Wirral is able to maximise revenue over capital. It is also intended to avoid peaks and troughs in the supply of labour and to try and maximise the social benefits of these developments for residents and businesses in Wirral. In its bid, Muse delivered the vast proportion of returns to the Council within three years. It is likely that the PBP will profile a slightly longer period to ensure the Council has a longer, sustainable income stream and is also able to fund sites which would otherwise be less viable.

It is expected that Wirral Growth Company will submit planning applications and commence development of Foxfield, Pasture Road, MOD site Bromborough and locations within Birkenhead town centre during 2019/20. The Council will receive income from each of these developments. Additionally, the proposed funding approach

for BCD will provide payments to compensate for the use of the Council's land over a 35-40 year period. Reflecting the above, £4.15 million has been assumed for additional income in the 2019/20 budget (Benefits of Economic Regeneration).

Summary of Member / officer comments

- In respect of the consultation, it is understood that this will commence in January 2019. There has been a particular focus on Birkenhead and replacing the existing market as well as the redesigning of Europa Pools Leisure Centre. Consultation findings will be made available in May 2019.
- In relation to the investments and benefits to the Council, Members were assured of the robustness of these through expert legal advice taken from a nationally recognised consultant that provides advice to local authorities. The conclusion drawn was that there is a shortage of office space in Wirral and Merseyside and demand outweighs the supply of such premises. Wirral is looking to attract a broader range of businesses to the area as there is currently an overreliance on a small number of key sectors. The aim is to bring in higher paid employment through 'grade A' office space to further stimulate employment and growth opportunities. Wirral Council and the Growth Company will work together to attract both commercial and public sector organisations to the BCD.
- Members were assured that Wirral can compete to attract companies to take up office space in Wirral and this was also evidenced through the feedback from the consultants. Enquires indicate that a mix of businesses including legal, financial and companies looking for a regional centre are interested in relocating. Although competing with Chester, Cheshire and Liverpool, Wirral will have an advantage of pricing if a high quality offer is provided.
- There was a concern in respect of Muse not having signed the contract yet but there was assurance that this will take place soon and possibly in January 2019.
- In terms of the benefits the Council will receive from the transfer of its assets at net present value, it is understood that each site will be assessed and the Council has to ensure that best consideration is given for each site by law. The Council is not compelled to transfer its assets if a good deal is not presented. Benefits include being able to reinvest revenue into front-line services.
- Members were informed that the operating model will work via the Council providing the property and assets and Muse providing the finance and expertise which the Council lacks to unlock its assets. Members were assured of the financial investment which will be put in. £10 million will be invested by Muse to help with site and development costs as well as master planning for the first eleven sites in the first phase. There is no cap on this investment by Muse. The Section 151 officer has delegated authority to seek private finance to support further development.
- Members required assurance around the level of risk to the Council should the partnership arrangements not deliver the agreed outcomes. It is understood that the partnership arrangements are for ten years with a possible 5 years extension. Officers acknowledged the risk and, as part of the agreement, the Council's interests will be legally protected and there are penalties on both sides for failing to meet the agreed contractual requirements. Members noted the £475K indemnity insurance in

place and were informed that this was initially requested by the partner to cover the work they were doing 'at risk' ahead of signing the Partnership Agreement. However, both parties subsequently agreed that it wasn't required.

- Members were assured that the first phase of projects will be delivered quickly as Muse has evidenced its ability to do this through previous developments. Muse is looking at the benefits of doing this within 3-5 years.
- In respect of the approach to master planning and what will be developed over the first 5, 10 and 15 years, it is noted that the first eleven projects will be delivered as part of phase 1 and will also enable the partnership arrangement to see how this will work in practice. It was clarified that the site development plans will consider each project in turn to ensure that all issues, advantages and constraints are fully understood before they are signed off. Importantly, all plans will need to fit within the partnership business plan as well as the Council's own planning framework which will provide checks and balances.
- Members were informed that the 300k square feet of potential office space in Birkenhead may offer some ground floor retail opportunities, including coffee bars, with a view to making the frontages more attractive and therefore providing a better offer for visitors to Birkenhead.
- Members were assured that there will be appropriate governance arrangements in place and that the partnership will be accountable to Members. The Partnership Board will have Cabinet level representation and there will be controls to report back to Cabinet, Council and Overview & Scrutiny to ensure it is operating appropriately. It was noted that regular reports to Overview & Scrutiny can include relevant business plans.

2.2 Disposal of Marine Point Freehold

Summary of Budget Proposal

The development of Marine Point in New Brighton was completed in 2011 by Neptune. Wirral retained its freehold interest and granted Neptune a 250 year lease. The Council currently receives a rental income stream of 6% of the rent received by the lessee (Promenade Wirral Ltd, assigned from Neptune). This amounts to approximately £200k per year which the external purchaser will receive the income stream when the freehold is sold. The proposal is to sell the freehold to generate a £4 million capital receipt. Expert legal advice has been sought and the Council may market it for a higher value to generate an additional £1 million.

Summary of Member / officer comments

- Members received clarification that the income from the sale of the Marine Point Freehold has not been earmarked for funding of any specific project or service but to help the plug the £45 million funding gap.
- There is a concern that the Council may be giving away an asset cheaply for an immediate financial return. With the annual income stream of around £200k, the sale of the freehold at £4 million will result in the Council losing out financially after

20 years. Officers acknowledged this and cited the budget gap facing the Council. Members also recognised that the rental income stream would depend on the unit occupancy levels, with market fluctuations determining how much income would be received over the next 20 years.

- Members were assured that the £4 million estimated sale price of the freehold was feasible and was based on advice taken from property advisors. The market has not been tested but there is no intention to sell it cheaply and Cabinet will determine the threshold.

2.3 Asset Management – Capital Receipts

Summary of Proposal

The proposal is for Estate Management to identify potential assets for disposal in order to generate capital receipts, develop a clear pipeline of disposals with anticipated dates for receipts and to ensure these are monitored by Asset and Finance Officers. £2 million of capital receipts have been identified for 2019/20 but the list in the pipeline indicates £1.44 million which excludes registered provider receipts which could come forward in later years. These include Rock Ferry High, Pensby High and Lyndale and the ring fenced capital receipts will need to be identified as per Department for Education requirements. Asset Management will manage the disposal process and will be monitored through the Assets & Capital Group. Disposals will be administered through auction and the receipts may be subject to a degree of variation. The assets identified for 2019/20 are:

- 81-97 Cleveland Street
- 38 Green Lane
- Dominic House (Freehold)
- New Chester Road / Cambeltown Road
- Riverview Road (Former power station)
- Albany Hall
- Argyle Street South (land)
- Alexander Hall
- 6 Manor Road
- Trafalgar Road (site)
- 550-558 New Chester Road
- Right to Buy share from Magenta/BBCHA
- Housing Renovation / Relocation Loans

Summary of Member / officer comments

- Members received clarification that the proposal relates to financial efficiency and ensuring that assets are working to their potential. It was explained that significant time has been invested into understanding what assets Wirral has and how they are performing (i.e. income, energy, capacity etc.). Additionally, it was also explained that Wirral has aging buildings and officers have been rationalising the Council estate

to release buildings, whether through a one-off sale or putting it on the open market. There is also potential to put it forward for the Growth Company.

- Members were assured that these sites will be subject to auditing to ensure Wirral gets best value and due consideration of public assets. Members generally acknowledged the importance of assets not lying dormant.

2.4 Treasury Management

Summary of Proposal

Treasury management includes managing the Council's cash flow on a daily basis. On any given day, there may be a surplus cash flow into the Council's bank accounts. This may be due to a large payment of business rates or funding from Government. Instead of retaining cash in the account where no interest will be accrued, it will be invested with other parties on an approved list detailed in the Treasury Management Strategy which is approved each year at Council. Investments may be short term overnight where large payments may need to be made the following day from the capital programme or cash could be a longer term investment from 3 to twelve months. There may be instances of being overdrawn with large payments going out without the cash so cash flow is managed on a daily basis and Wirral will borrow cash and pay the interest. The aim is to minimise interest payments going out and maximise interest payments coming in.

As an alternative to investing surplus cash coming in, it will be used to pay for the capital programme rather than borrowing it to minimise the borrowing element and the interest payable. Where cash is invested, the Council will look at different innovative ideas to invest that may have a greater element of risk but would yield a better rate of return, such as property. Wirral is also looking at its minimum revenue position which it has done over the last two years. A provision for repayments to pay for borrowing has to be identified and officers are currently looking at the amount to set aside. The budget proposal assumes that there will be a £2 million reduction in borrowing costs.

Summary of Member / officer comments

- Although Members acknowledged the reason why Wirral Council would invest and borrow, as outlined by officers at the workshop, the low rates of interest it has previously received from lending to other local authorities against the higher rates paid by Wirral Council for money it borrows, was highlighted. Officers also highlighted that these rates are dependent on the financial markets which are governed by the Bank of England and the PWLB (Public Works Loans Board). Lending or borrowing overnight money can often have lower rates of interest but longer term lending or borrowing may have higher rates of interest as markets / financial institutions look to balance their risk of uncertainty over a longer term. Wirral has to manage the balance of interest rates with delivering on its capital programme if it does not have the cash in its bank account.

- Members received clarification that Wirral will not just lend to other local authorities because it is a more secure investment, but will identify the best deal it can secure on any given day through a money market broker.
- Members were assured of the governance around potentially riskier investments. An explanation was provided that regulated treasury management advisors are consulted to obtain their advice on receiving a greater amount of interest on investments and what opportunities are available. New counterparties have to be approved by Council and included in the Treasury Management Strategy. Due diligence will be taken on those counterparties which are new to the Council, either through the treasury advisors or an alternative independent specialist. Members were informed that there are a number of new companies looking for money for investment and will be offering a higher rate of interest. The Council may choose to invest a small amount with a short repayment term to test the market first before committing further investment.

3. Conclusions

Members attending the workshop were presented with the four budget proposals agreed by the Chair and through engagement with the Party Spokespersons to be presented to the workshop for scrutiny. This report has noted the key points made by both Members and officers in attendance. Members of the Conservative Party in attendance reiterated their view that the scrutiny of the budget proposals should be held in public at a formal committee meeting and no opinion on those proposals presented at the workshop was given.

4. Workshop Attendance

Councillors
Cllr. Pat Hackett (Chair)
Cllr. Jean Stapleton
Cllr. Steve Williams
Cllr. Chris Blakeley
Cllr. Jerry Williams
Cllr. Allan Brame

Officers
Brian Bailey, former Corporate Director for Economic and Housing Growth
David Armstrong, Director for Delivery Services / Assistant Chief Executive
Shaer Halewood, Director of Finance and Investment
Jeannette Royale, Senior Manager, Strategic Asset Management
Philip McCourt, Director of Governance and Assurance
Michael Lester, Scrutiny Officer
Carl Gurnell, Team Leader – Performance and Scrutiny

APPENDIX 3

2019/20 Budget Proposals

Report of the Children & Families Overview & Scrutiny Committee

24th January 2019

Contents

Page

1. Introduction

A dedicated 2019/20 budget proposals workshop for Members of the Children & Families Overview and Scrutiny Committee was held on Wednesday 5th December 2018.

The workshop provided the committee with the opportunity to examine in greater detail a number of budget proposals affecting services that fall under the remit of the committee. The budget proposals selected for further examination were identified by the Chair and Party Spokespersons as those deemed to be of greatest significance in terms of value and the public interest. This report summarises the proposals scrutinised and the comments and suggestions of Members attending the workshop.

At the commencement of the workshop, a statement was read out by Conservative Party members and it was requested that this be recorded as part of the scrutiny process into the budget proposals. The statement is detailed below:

''Chair, I would like it recorded that the Conservative members do not believe that a workshop is the appropriate way for the cabinet's budget proposals to be considered by this committee. We believe that the discussions should be held in public, at a formal meeting of this committee that is minuted and recorded''.

The Chair of Children and Families Overview & Scrutiny committee responded that at present, the workshop would be discussing the proposals only with any recommendations from the members going to committee.

2. Budget Proposals

2.1 Special Guardianship Allowance

Summary of Proposal

A saving of £800k has been earmarked for Special Guardianship Orders (SGO's). A saving of £400k has already been delivered in the current year. The forecast spend for 2018/19 of £3.4m is currently £400k below the budget of £3.8m. It is anticipated because of this the reduced spend will continue into 19/20, although this will be challenging. Through the ongoing implementation of a modernised and appropriate policy for SGO Carers the £800k saving will be achieved through a reduction in current costs and the recovery of back payments.

- The allowance is now being appropriately applied in line with national policy to ensure that Special Guardians are receiving the correct allowance payments. The £800k savings represents around 2/3 of what the overpayments currently are.

- The overpayments identified do include a very small number of fraudulent cases.

- 40 of the 120 identified cases have been assessed so far.

- Any withdrawal or adjustment in payment is done on the basis of applying the correct practice, and protection of the public purse in accordance with the national guidelines.

- Over- and under-payments can happen for numerous reasons. For example a number of children had moved placement and payments had continued. Other examples include instances where grandparents receive the payment yet they live with the Child and their parents.

Summary of member and officer Comments

- Members queried Children' services apparent keenness to get children out of foster care and into SGO's, and highlighted that some families were reluctant because of the financial implications. DCS advised that there was the potential for increased or decreased payments.

- Members requested clarification over the number of reviews taken place, and also the number of complaints. Officers advised that so far there have been 3 or 4 complaints, and pointed out that these were not at the higher end of the scale (for allowances).

- Members asked how long the review would take. They were advised that it should be completed within the next financial year.

- There were concerns raised about the potential for breakdown, and that families who foster did not want to lose support if they agree to SGO's. It was acknowledged that this could potentially happen, but there were procedures in place to assist with this. It was also noted that is wasn't just about money, and there were more proactive support measures in place for placements. There have also been no reported family breakdowns due to the changes.

- Members raised concerns about scenarios in which payments were reduced. Officers stated that this was simply to move Wirral in line with other authorities and national guidelines. The point was made that payments had to be fairly applied, so as not to discriminate one Special Guardian over another.

2.2 Reduced agency to core staff

Summary of Proposal

This has been a success story recently with reduced expenditure from £7.9m in 2017/18 to a forecast of £5.6m in the current financial year. This proposal is about the release of various budgets that have previously been used to fund agency spend. As unbudgeted

agency expenditure reduces, the areas that have been used to support this expenditure in the past will be offered up as a budget reduction as they will no longer be needed.

To implement the level of agency staff we will continue to pursue the strategy of replacing interims with permanent social workers, through recruitment. The outlook remains challenging and it will be achieved through a major recruitment campaign in social care, and restructures in other parts of the service. This will require significant time and resource from HR. A plan of all HR related activity is already in place.

- Regionally, the number of agency staff stands at 30%. Wirral are looking to achieve 10% as a healthy target rate. 20% plus is generally seen by Ofsted as concerning.
- The numbers of changes for Children Looked after have reduced by 50% since August. This will be reported on at the next monitoring meeting.

Summary of member and officer Comments

- Members concerns were based around the commitment of agency staff, and reports of some children having a high turnover of social workers. It was confirmed that they are employed on a 12 week temporary contract which is renewed. Some agency staff have now been with the authority for 3 years.

- Questions were raised as to where we stood nationally. Members were advised that London has a high percentage of agency staff whilst Knowsley has none. Wirral have now reduced numbers by half.

- It was also noted that Wirral do not have a specific agency budget – workers were recruited based on available posts which needed to be filled. Members were informed that Wirral quality assures all agency staff and we only accept the highest standard.

2.3 Troubled Families Funding

Summary of Proposal

There has been an increase in ''payment by result'' income during the current year (£121k has been received to date). However, it will be challenging to meet this target next year due to the reduction in guaranteed Government grant income on Attachment Fees by £480k. Work is in progress to collect this income more speedily and catch up on the backlog of monies owing which will contribute to achieve the target.

- A fee is received for Identifying Troubled Family and then payment by results for reaching pre-set milestones. £1.2m is allocated by The Ministry of Housing Communities and Local Government (MHCLG) for Wirral Council; however we are currently only claiming approximately £60k of this.

- The strategy is therefore to step-up activity and become more pro-active. MHCLG have already written to Wirral to say they will pay £300k due to work already undertaken to evidence and improve the approach. Children's services look to increase this to £600k. However, it was noted there is a risk that the Troubled Families programme will not run beyond 20/21 (awaiting Government announcement).

- A Troubled Families Board is now in place to help support and link up interventions and assist submissions. Payments are only made once the troubled family is identified and 'turned around'. The partnership approach supports engagement applications and using different metrics helps to measure and evidence the impact. The rationale for the initiative is that the intervention lessens the potential future impact on other services.

Summary of member and officer Comments

- Members commented that there is a risk the council may chase families to meet criteria in order to receive funding rather than focusing on actual need. If this were the case, some troubled families would run the risk of falling outside of provision. Officers agreed that services should be shaped by need. Officers also pointed out that the new leadership model in Children's services has improved partnership working and each partner's awareness of the others' work. This means that the impact of services can now be more effectively demonstrated and coordinated. Members asked if there could be a Liquid Logic bolt on to help with collating information. For example; CYP didn't capture information from Safer Wirral Hub as they didn't know about it. This was acknowledged as a possibility.

- Members questioned moving away from the 'payment by result approach' and looking to achieve earned autonomy which could mean upfront payments are made available to assist with improving working practices. Officers advised that Wirral did apply for autonomy, however the data capture systems were not deemed suitable enough to enable appropriate measurement of interventions. Further work is now being done to enhance and join-up data systems to get to a point where Wirral has the autonomy to set its own criteria.

- Moving forward, officers advised that the focus is on family need and achieving autonomy around assessment criteria.

2.4 Looked after Children Reduced Cost

Summary of Proposal

The planned reduction in the number of looked after children will be through a collaborative approach across a range of public services, including Council care and housing arrangements. One aspect is improved fostering services which will lead to maximum use of foster carers,

thereby reducing care costs, and improving stability for children and young people.
This will be challenging to achieve in 2019/20 as the costs for 2018/19 have been rising. A reduction in the numbers does not always equate to an equal reduction in costs. However the objective of this financial proposal holds. A large part of this proposal will be centred around more effectively challenging care placements based on their ability to progress the child in their journey.

- There is no direct correlation between numbers and cost, a multi-layered strategy is being implemented to achieve a modest saving of £400k.

- Every placement must be justifiable. Provider costs will be scrutinised and work will take place to ensure there is appropriate supply at a local level. Typical costs per child are range from £70 - £3,200 but it can be much higher. Specialist placements for example can range from £7,000 and nationally, one placement is known to be costing a local authority £24,000 a week due to complex needs.

- There is no national framework or controls around child placement prices. This is compounded by places being filled by children outside of the North West (Such as London Borough areas) due to price differentials. The North West now looks after 40% of Children in residential care.

Summary of member and officer Comments

- Members questioned why there were no Local Authority care homes any more. It was suggested that it may be valuable to look at the private market in more detail through the Scrutiny work programme, to try to gain a better understanding of why the charges are so high. Paul Boyce commented that an LCR Collaborative approach would be required to help control cost and that there would need to be a justifiable reason to bring this policy back.

- Members voiced concerns that savings can't be the main reason for moving child placements, and that the main considerations should be what is best for the child. Officers noted that in a number of cases, getting a child in a placement was the priority and that Social Workers main aim was the safeguarding of the child, then think about costs after. It was also acknowledged that traditionally there have often been a drift in care plans, which meant the costs and placements were not reviewed.

- It was queried whether a more robust system is being implemented. Perhaps Wirral has been seen as an easy target for inflated process? Officers confirmed that this is the highest risk saving but it is captured and monitored through the Risk Register

2.5 Children's management Restructure & Business Support Restructure

Summary of Proposal

Work is well advanced on delivering the new structure but delivering a saving of in these areas will be very challenging as we are also replacing agency staff to save a further £1m.

- A combination of efficiencies achieved through co-location of staff with standardised approaches to working implemented across the directorate. Examples include reductions in staff travel expense claims, telephony costs and the release of non-essential vacancies. Return of investment is also achieved through programmes in areas such as training and efficient I.T systems, enabling greater economies of scale to be achieved.

Summary of member and officer Comments

- Members agreed that the savings made sense as they are a combination of efficiencies. It was noted that both members and officers feel that £3.9m is realistic and achievable. There were no major objections with restructures provided this does not lead to any mandatory redundancies.

- In regards to last year's £20m spend, members who are new to the committee sought clarification of where it went, and what did it achieve? Officers advised that it drove the improvement work and capacity, and enabled stabilisation with 80 new posts created. The aim is to gradually bring spend down and the £3.9m is the beginning of the process. There is a need to ensure progress is made and costs are controlled.

2.6 Remove Golden Hello Payments

Summary of Proposal

This was previously introduced in order to attract key staff, essentially social workers who are of course critical to the successful delivery of Children's services. Following a review of compensation, this has now been discontinued and the saving has been delivered.

- Budget not required and thus proposed to be removed; this policy had also been seen as decisive for existing staff.

- Wirral is currently ranked 2nd in Liverpool City Region behind Liverpool for Social Care salaries and 3rd if Cheshire West is included. Therefore Wirral is highly competitive

Summary of member and officer Comments

• This did not meet with any opposition at the time of the workshop. Members had previously explored the condition upon which an attractive environment could be built to ensure social workers wanted to come and work in Wirral. They took this as an opportunity to explore these again and a conversation with officers highlighted that support around their role as well as a reputation for development and best practice.

• It was noted that a "Golden Hello" did not necessarily guarantee that good people would stay in the service, even if it were effective in attracting them in the first place, which there is no evidence for.

• Members questioned if the 'golden hello' had previously been used as a sticking plaster, and officers agreed that there had previously been a perception that Wirral did not pay well. It was also pointed out that some authorities used tactics to make advertised paygrades look higher.

• It was noted that 'the well is pretty dry' when it came to experienced social workers, and that Wirral preferred to recruited experienced social workers rather than newly qualified social workers (NQSW). Whilst NQSW have been recruited there was now a halt on this to ensure this had been effective. As a point if interest, Members were advised that Wirral seems to be creating a lot of interest from the London Boroughs, and it was assumed that this was because of the cost of living in the South East.

• Members were reassured to hear that social workers were attracted to better offers than just pay. Ongoing training, work life balance and agile working were all cited as being as attractive as a high pay band.

3. Conclusions

Members agreed all the proposed budget saving options outlined above were measured and achievable and agreed that the £20 Million invested last year had stabilised services and the focus was now on investing in the long term and reducing this figure.

Members agreed that they wanted to look closer at the cost of placements for looked after children, and it was suggested that this could be added to the work programme.

Members thanked officers for their reporting and responses to questions and agreed that they were reassured by the proposals made.

Appendix 1 – Workshop Attendance

Members of the Children and Families Overview & Scrutiny Committee:

Cllr Tom Usher
Cllr Chris Carubia
Cllr Liz Grey
Cllr Cherry Povall
Cllr Wendy Clements

Councillors also in attendance:

Cllr Tony Norbury

Officers:

Paul Boyce (Corporate Director of Children's services)
Carly Brown (AD – Modernisation &Support)
Lesley West (Principle Accountant)
Shaer Halewood (Director of Finance & Investment)
Carl Gurnell (Team Leader, Scrutiny & Performance)
Anna Perrett (Children & Families Scrutiny officer)

APPENDIX 4

2019/20 Budget Proposals

Report of the Environment Overview & Scrutiny Committee

30th January 2019

Contents

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1. Introduction

Dedicated 2019/20 budget proposal workshops for Members of the Environment Overview and Scrutiny Committee were held on Tuesday 4th December 2018 and 16th January 2019.

The workshops provided the committee with the opportunity to examine in greater detail a number of budget proposals affecting services that fall under the remit of the committee. The budget proposals selected for further examination were identified by the Chair and Party Spokespersons as those deemed to be of greatest significance in terms of value and the public interest. This report summarises the proposals scrutinised and the comments and suggestions of Members attending the workshops.

At the commencement of the workshop, a statement was read out by the Party Spokesperson for the Conservative Party and it was requested that this be recorded as part of the scrutiny process into the budget proposals. The statement is detailed below:

> "The Conservative Group would prefer these meetings to be held in a public, open meeting where it is minuted and recorded."

2. Budget Proposals

2.1 Expert Operator of the Floral Pavilion

Summary of Proposal

The proposal is to transfer the Floral Pavilion Theatre and Conference Centre at best consideration as a going concern on a long lease to a suitable alternative provider. The Floral Pavilion currently costs the Council £899,300 per year to keep open. 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). This is predicated on the Council's preference for a model which allows for discretionary services to generate their own funds so they can grow.

The detailed budget proposal is outlined in the report to Cabinet on 26th November, 2018. This is attached as **Appendix 2**.

Workshop 1 - Summary of Member / officer comments

- Members queried the achievability of implementing the proposal to generate the savings within the year, as this may put more pressure on the Council's budget. Questions were also raised as to whether any soft market testing had been carried out. In response, Members were informed that, as part of research undertaken, engagement was made with a theatre expert who has experience within this particular business. The theatre was described as a "North-West theatre on the coast" to a number of big theatre operators, with one big operator expressing an interest in the property on a long-term lease or freehold. Officers added that this testing indicated interest and that when the theatre is subject to more thorough marketing, it is expected that more interest will be generated.
- Officers were questioned about the viability of theatres nationwide and their profitability as there is some reliance on subsidies being provided. In particular, Members were concerned that there may be a risk that the Council may need to provide subsidies to the operator in the future. Members were informed that the two biggest theatre chains in the country manage approximately 20 theatres each and have substantial experience, understand the business and generate profits. Officers expressed confidence in the success of the Floral Pavilion moving forward if one of these operators was interested. Members added that it would be useful to identify those theatres that were in receipt of any Council subsidy as it is understood that even the best run theatres are still reliant on it.
- Members commented that if the big theatre operators are generating profits without reliance on subsidies, whether there has been any consideration to how the Floral Pavilion is staffed and on employing a manager to be more commercial. Clarification was provided by the Cabinet Member that the Floral Pavilion does have a manager with experience but, as a Council running a theatre, there are difficulties in trying to achieve economies of scale. It was explained that the more prestigious shows would cost more and the impact of this may result in a loss being made.
- Officers were questioned as to whether the Floral Pavilion could be extended to increase its existing capacity to attract bigger acts. It is understood that when the

Floral Pavilion was built, height restrictions were placed on it so it is currently at its maximum height. However, there is an opportunity to look at the seating pattern but this will not significantly increase the number of seats that could be made available. Members did acknowledge that one of the benefits to the existing seating arrangement and capacity is the intimate atmosphere.

- Members sought assurances that the 'Blue Room' within the Pavilion would remain for the benefit of local bands. Members were informed that the opportunity for these bands should still be there and the operator that runs it will be looking at the commercial approach.
- Members commented on the number of schools and school children that use the Floral Pavilion. In particular, its use for various events paid for by the Council or the schools themselves. There was a concern that Wirral Council will lose control over pricing structures to ensure schools are not priced out of the market if the objective for the operator will be to generate a profit. This was acknowledged by officers and Members were informed that any conditions imposed on operators may make the proposition of operating the Floral Pavilion less attractive.
- Members highlighted the legal implications of an external operator running the Floral. It was highlighted that the Cabinet report makes reference to the fact that restrictive covenants can be challenged after 40 years but Wirral is proposing a long lease for the Floral Pavilion. There was a concern that Wirral may not be able to restrict its use to that of a theatre only. Officers provided clarification that legal advice provided did allow for restrictive covenants to be challenged by leaseholders after 40 years but the Council, as the freehold owner, would seek to defend the restrictive covenant so that the that the Floral Pavilion can only be operated as a theatre.
- Officers were queried as to whether there has been any consideration to maximising the potential of the Floral Pavilion's facilities on a regular basis which may help release other Council assets in the portfolio that are not used as much, such as meetings or conferences. Members were informed that there is a review taking place to increase bookings with the conference centre to understand how rooms are used and prices are charged. The objective is to make it more financially viable.
- Members noted that the group of volunteers that has been generated by the theatre has been invaluable and that it would be a loss to the Council if they did not remain.
- Members noted that the proposal will include staff moving over to the operator under TUPE. Members queried if the upskilling of staff had been considered. Members were informed that significant work has been carried out with theatre staff over the previous 18 months. This includes increasing secondary spend around the bar and catering operations. Training on marketing and programme and audience development has also been delivered.
- It was noted that there is no reference to social value, including social output and age profiles and footfall within the budget proposal. Additionally, it was queried why an alternative delivery model of a community asset transfer was not explored and consultation carried out, including the use of volunteers. It was explained that cooperatives and charities are proven at engaging people and staff and empowering them, but it would not provide a total solution for the Floral Pavilion and the 900k subsidy that would need to be found to operate it. Given the time for an

organisation of this type to form and move the Floral Pavilion into a profitable state, officers stated that the ability to reduce the subsidy would be an issue.

- Officers were asked to clarify whether other services under the leisure portfolio could come under pressure if savings related to the Floral Pavilion were not realised. The Cabinet Member indicated that no formal decision has been taken on any others areas within the portfolio and, as a result, there are no other proposals for Members to consider. It was also stated that if savings are not realised from the Floral then savings will need to be made elsewhere across Council budgets due to the financial pressure.
- A number of questions relating to secondary spend were raised. Members highlighted the bar being closed following the end of an act and this was acknowledged by officers. It was highlighted that a late bar was previously trialled but that financial losses resulting from this made this non sustainable.
- Members queried the budget proposal report which states the £900k subsidy to support the Floral Pavilion but the recommendation details only a £550k revenue saving. It was explained that under accounting rules, the cost of the service is reflected under the cost of the asset and the £250K is the result of depreciation and is a theoretical cost in the council's accounts which would not be saved if transferred. An additional £100K relates to the pensions deficit which contributes to the overall pensions deficit for the council.
- Queries were raised around an option to potentially reduce the subsidy to the Floral Pavilion over a number of years if an operator is not initially identified. It was explained that the £900K budget was the target set for the Floral Pavilion but over the years it has overspent and this target has not been met. Some of the overspend was reduced last year to around £60K so the budget target is already difficult to achieve.
- Members queried what reviews have been undertaken to reduce the subsidy to the Floral Pavilion. Officers stated that it is their understanding that there has not been a regular annual review but there is a Business Plan that is updated every year to look for efficiencies.

Following a number of detailed questions relating to the Floral Pavilion, Members suggested it would be useful to be provided with additional information, including sight of a number of reports, at an additional workshop. Information included the audience figures, more detailed financial reports and sight of the BWB Libraries, Leisure, Parks and Cultural Services.

Workshop 2 - Summary of Member / officer comments

- A number of queries were raised in relation to the subsidy the Council provides the Floral Pavilion. Members received clarification that the budget subsidy is the Council's full revenue contribution for the shortfall of its income against its expenditure, which also includes salary and other service expenditure costs. Income for the Floral is £1.7m per annum but expenditure is £2.6m, resulting in a £900k budget shortfall. The saving for the proposal is £550k. The remaining £350k is the £250k depreciation that is charged and a £100k contribution towards the Council's overall pension deficit. Both these amounts would not be saved by this proposal.

Additionally, the Floral Pavilion had an overspend of £60k in 2017/18 and this resulted in a subsidy of approximately £960k being contributed. Officers also reassured Members that the Council's position would be to achieve zero subsidy in the first year.

- Queries were raised around the effectiveness of promoting the Floral Pavilion's conference facility and its use as a wedding venue and whether the lack of surrounding hotels was an issue. The lack of apparent promotion for the Floral Pavilion outside of Wirral was a concern. Officers acknowledged the venue as a desirable venue for weddings and that further marketing of it is as part of the current work streams are being carried out. It was also acknowledged that the wedding market is bigger than previously identified. The lack of large hotels was acknowledged as an issue.
- Officers clarified that there is a small discount for the Council to use the conference centre but it is the view that market rates should be applied across the board to anyone who wishes to book it.
- An observation was made that when pantomime shows were performed, there was a lack of drinks and food for children and that the Floral should be competing against other venues in the vicinity. Officers accepted that this should be happening and will pursue it further as part of the catering concession.
- It was recognised by Members and officers that work needs to be undertaken to address issues with the theatre's toilets. It is understood that a capital bid is being progressed for these. Members were informed that the Floral Pavilion would now need further investment to maintain it to a suitable standard, including general maintenance and replacing production equipment. Under the current arrangements, more costs would therefore be incurred by the Council.
- Members expressed concern that the Council may need to spend heavily on the theatre before it is transferred. Officers clarified that the Repair & Maintenance budget for the Council is £1.2M and that £80k of this has already been spent from the 2018/19 financial year to address issues identified. Maintenance costs will continue to be incurred as required but it was explained that, compared to other theatres, this is low risk for an operator to take on as it is a relatively new building.
- Members sought clarification on any potential operator being made aware of all works which needed to be carried out in the theatre before agreeing to operate it to ensure that the savings target can be achieved. It was explained by officers that if the Council did proceed with the budget proposal, it would be a key point of negotiation with any interested operator on what work would need to be done and whether the Council or the operator would be responsible. If a joint condition survey is requested, this will be undertaken and it is understood that it is a simple process. Under the lease agreement, the operator would be responsible for ongoing maintenance and for ensuring the condition is kept to the expected standard.
- Members queried the Floral Pavilion's accounts. Members were informed that rising staffing costs were due to annual pay increase, National Insurance and pension increases. In response to the large advertising budget, it was explained that the majority of this is expenditure on production costs for putting on shows and that this is how it is reflected in the accounts. It was also explained that there was a change in VAT treatment in 2018 and this is the reason why income levels appear to have

reduced. However, expenditure in previous years was netted off and there is no difference.

- Clarification was given on staff working at the Floral Pavilion and the TUPE arrangements. There are 38 equivalent employees working full time, with 37 actual employees and the remaining one consisting of a number of employees working the equivalent hours of one full time employee. The proposal is to TUPE transfer staff and discussions have taken place with Trade unions who are suggesting TUPE Plus arrangements are explored to give employees more protection. Officers are waiting for clarification from them on what this would entail.
- The option of a Community Asset Transfer was not explored by officers as the advice and guidance taken from the theatre consultant advised that a charitable model would still require an ongoing subsidy from the Council. Officers reiterated that the Council wants to achieve the two objectives of keeping the Floral Pavilion as a theatre for the people of Wirral and without the cost to the Council. It was suggested that the alternative operator model is the option which could help achieve this through economies of scale on theatre productions across a number of theatres.
- Members were informed that the budget options were still being consulted on. 1200 responses have been received from residents at this point. In relation to a question asking residents about a proposal to transfer the Floral Pavilion to an alternative operator, it is noted that there is significant support for it and the full results will be reported once the consultation has closed.
- Members suggested that a competitive tender process to identify a potential operator would be beneficial to ensure value for money and to identify who would be best placed to address existing issues with the Floral Pavilion and deliver productions to meet the needs of the public. Members highlighted a concern that there may not be significant interest to make the transfer competitive. Officers acknowledged this and stated that if there was only one operator who was interested, the Council would then need to measure it against what the Council wants to achieve before any agreement is made.
- Members were reassured that if the operator did not deliver or went out of business, the Council would take it over again if that is the request of the Council. Additional protections for staff could also be provided under TUPE Plus but discussions are still ongoing with Trade Unions who need to set out what they are seeking from TUPE Plus.

2.2 Expert Operator of the Golf Courses

Summary of Proposal

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). The budget proposal outlined in the Cabinet report dated 26th November 2018, outlines that a number of reviews of Council golf provision have been undertaken in previous years and have highlighted the need for further capital investment to ensure they remain playable. The report states that the current service model for this service is therefore financially unsustainable. The proposal is to transfer 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.

The detailed budget proposal is outlined in the report to Cabinet on 26th November, 2018. This is attached as **Appendix 3**.

Workshop 1 - Summary of Member / officer comments

- Members noted that Brackenwood Golf Course was not included as part of the budget proposal due to its inclusion in the Open Space Review. There were concerns over the condition of the course and on the future proposal to transfer this course to an alternate provider upon inclusion in the Open Space Review. Officers provided clarification that potential operators were aware of this.
- In response to queries around the previous attempt to contract out the golf course in 2014, Members were informed that Wirral worked with Cheshire West & Chester Council on a procurement exercise to let out a contract for the management and operation of the golf courses. Market testing was undertaken to identify interest and it is understood the terms of the contract were limited to 25 years. Wirral only identified one interested provider but this did not represent competition under the Contract Procedure Rules so it did not continue. Cheshire West & Chester operate under different Contract Procedure Rules and were able to contract with a different provider on a 25 year lease.
- Members expressed concern that the charging policy may price some users of the golf courses out of playing and the social benefits may be lost. Additionally, it was noted that this risk was set against a relatively small saving which will be made through the proposal.
- Members were informed that a further soft market testing exercise was undertaken in January 2018 and clarified that potential operators who responded require a long term lease of over 25 years. Additionally, discussions were held around secondary spend and how money would be raised and invested in the courses.
- A number of concerns were raised over the two golf courses not included as part of the proposal. It was suggested that the competition from these may dissuade any potential operator from taking over. Officers clarified that potential operators are aware of these golf courses and there are no concerns.

- Members highlighted the issue of collecting payment from the high number of people playing golf on the courses that intentionally do not pay. Members stated that more needs to be done in this area to ensure income is maximised. Officers pointed out that in the last 18 months, there have been patrols carried out to challenge users who have not been paying with numbers being small in terms of the revenue being raised. Patrols are undertaken approximately 2 hours per day and at various times. Officers pointed out the cost of staff time invested to undertake this against potential income that could be received has to be considered.
- Members queried how more income can be generated from golf courses and it is understood from officers that there is a more robust client / contractor relationship in place with Leisure Services in respect to promoting Invigor8 products and ensuring revenue is generated from the golf courses. A reorganisation was also undertaken in 2017 in relation to staffing levels and this has resulted in an increase in sales and secondary sales.
- There was a concern that Invigor8 memberships may reduce if the golf course are not included as part of the proposal for an operator to manage the two golf courses.

As with the Floral Pavilion budget proposal, Members suggested more detailed financial information should be presented to the next workshop, including details on income and expenditure across all golf courses.

Workshop 2 - Summary of Member / officer comments

- A comment was made in reference to the BWB consultancy report which was critical of the quality of the greens on the golf courses. Members who used the Golf course found this to be contrary to their experiences, finding the greens to have always been in excellent condition.
- Clarification was required as to the staffing costs attributed to Arrowe Park golf course. Officers explained that there is a golf coordinator post and that this is within Arrowe Park but coverage is across all golf courses. For this budget proposal, these costs have been removed from the calculations and the savings shown in the Cabinet report exclude the salary of this post.
- Members highlighted the well run privately operated café at Arrowe Park golf course but it was not clear if there is rental income. Officers clarified that rent is received and is included as part of the 'customer and clients' income figures provided to Members. It is also noted that any interested operator would need to take over the course with the leaseholder for the café in place.
- Members reiterated the issue of those people playing golf that have not paid and suggested signage is placed as a warning of penalties that could be imposed, such as a fine. Members reiterated that this issue has been raised on a number of occasions and the amount of income lost is significant.
- It was brought to the attention of officers that a charging meter was installed in an adjoining car park in 2018 but has since been covered due to damage. It is understood that the meter was installed for those not using the pub. Officers acknowledged this requires action.

- Officers were queried on the substantial catering charges detailed in the accounts for Brackenwood golf course and it was explained that these relate to the replacement of stock for the golf shop. Income received from sales is included in the 'customer and clients receipts' within the accounts but an observation made by Members is that it is not clear how much income is generated from the golf shop.
- It was clarified that the recharges stated within the accounts relate to the central costs. These include Payroll, I.T., Accounts Payable, Accounts Receivable, HR and other central support. These are all incurred in keeping the facility open.
- In response to a number of questions relating to the process to be taken with the budget proposal, it was explained that the Council would advertise for potential providers and the preferred operator would be identified following detailed negotiations to Cabinet for approval. A transfer period would be established for the operator and the Council to setup the infrastructure, including IT, before the full transfer is implemented.
- Officers confirmed that a number of providers have been engaged through soft market testing and this has established interest in the golf course. Soft market testing was undertaken to understand the appetite from the market to provide the service. Members were informed that feedback indicates they would require a long term lease with estimates ranging from 50 to 150 years to make it work in terms of the investment required. It is noted that Knowsley and St Helens have entered into such long lease arrangements.
- In response to other queries relating to a lease agreement with a provider, officers clarified through soft market testing that most golf operators pay an annual lease and this amount can vary. The savings proposed is based on the Council no longer subsidising the golf courses and officers confirmed that the figures do not include current overspends at the golf courses, including Arrowe Park which is currently forecast at £60k.
- Members noted that the budget proposal covers the Warren and Arrowe Park golf courses. Members highlighted concerns regarding Brackenwood not being included due to the ongoing Open Spaces review and the risk that the Council would then need to continue to provide ongoing maintenance and investment. It was also suggested whether it may be best to wait until the review is complete to allow its inclusion as part of the proposal. It was reiterated that Brackenwood golf course could be taken on by the operator following the review but a delay in moving forward to allow for Brackenwood golf course to be included may dissuade potential operators. It is understood that the process takes around six months and would lead into the winter months when it is unlikely an operator would want to sign and savings wouldn't be made until the next financial year.
- Members were informed that the public consultation results indicate strong support for the transfer of the golf courses to an alternative operator and further consultation will be carried out if a provider is identified as part of the transfer.
- Officers confirmed that soft market testing included inviting interested providers to submit their interest to the Council and a number of submissions were received. Advertisement was made through the Chest, as per the Council's Contract Procedure Rules, which is open to the public to express interest. It was confirmed that there were no submissions from local golf clubs.

- Members praised the Invigor8 membership which allows members to utilise the golf services through their membership. However, it was pointed out that it was not clear what revenue goes towards golf which could be significant enough to cover the shortfall.
- Members highlighted the recent work carried out at Arrowe Park golf course. It was explained that all the golf courses will continue to require capital investment. The Council is relying on utilising capital receipts this year to support the revenue budget and this is being maximised to protect services. This limits the Council's ability to apply capital investment to the traditional programme.

3. Conclusions

Following consideration of the budget proposals which were presented, including supporting documents, Members were given an opportunity to summarise their views relating to these proposals. These are detailed below:

- A Member acknowledged the difficulty to identify potential operators for the proposals and the need to test the market to see what interest there is. Opportunities could be presented for the Floral Pavilion and the golf courses to provide quality services. The risk of not pursuing these budget options was that the Council would not make any savings and this would put pressure on other Council budgets. This view was supported by a number of Members.
- A Member highlighted the Council's responsibility to ensure that facilities are not neglected and fall into disrepair.
- Several Members expressed concern regarding the future of Brackenwood Golf Course which has not been included as part of the transfer to an alternative operator.
- A Member expressed a view that the preferred approach would be to keep the golf courses run by the Council but was willing to see what interest is generated and how the transfer will be implemented.
- A Member also supported the view for the Council to retain the golf courses and to explore other feasible options with a very limited resource.
- A concern was raised around the Council relinquishing more assets and with austerity being a long-term issue. It was commented that the workshop highlighted reasons why the golf courses are not making money and that the lease is too long when the Council could run it as a successful business. It was added that the proposal is short-sighted and an easy way to make cuts for the year.
- A New Brighton Councillor concluded that he was not able to support any budget proposals that included the leasing of the Floral Pavilion Theatre in New Brighton to an alternative operator.

Appendix 1 – Workshop Attendance

Workshop 1 (4th December 2018)

Committee Members

Cllr. Tony Jones
Cllr. Bruce Berry
Cllr. Brian Kenny
Cllr. Jo Bird
Cllr. Adam Sykes
Cllr. Allan Brame
Cllr. Sharon Jones
Cllr. Christina Muspratt
Cllr. Kate Cannon
Cllr. Tony Cottier
Cllr. Steve Foulkes (Attended until 7pm, apologies received)

Cabinet Members

Cllr. Phil Brightmore

Officers

Andrew Elkington, Assistant Director (Community Services)
Matthew Humble, Programme Manager
Mark Goulding, Principal Accountant
Michael Lester, Scrutiny Officer

Workshop 2 (16th January 2019)

Committee Members

Cllr. Tony Jones
Cllr. Bruce Berry
Cllr. Phil Gilchrist
Cllr. Steve Foulkes
Cllr. Jo Bird
Cllr. Adam Sykes
Cllr. Christina Muspratt
Cllr. Tony Cottier
Cllr. Tony Smith
Cllr. Sharon Jones
Cllr. Brian Kenny

Cabinet Members

Cllr. Phil Brightmore

Officers

Andrew Elkington, Assistant Director (Community Services)
David Armstrong, Corporate Director (Delivery Services)
Matthew Humble, Programme Manager
Mark Goulding, Principal Accountant
Michael Lester, Scrutiny Officer

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DRAFT MINUTE EXTRACT

ADULT CARE AND HEALTH OVERVIEW AND SCRUTINY COMMITTEE

29 JANUARY 2019

54. **ADULT CARE AND HEALTH OVERVIEW AND SCRUTINY COMMITTEE BUDGET SCRUTINY WORKSHOP REPORT**

The Chair presented a report by a Scrutiny Officer informing of a Scrutiny Workshop held on 6 December 2019 when Members had considered the 2019/20 budget proposals being put forward in respect of its remit. Attached to the report at Appendix 1 was a summary report that detailed the proceedings of the Workshop.

The report informed that a consistent approach for the scrutiny of the 2019/20 budget proposals had been agreed by the Chairs of each of the Overview and Scrutiny Committees. It had been proposed that the previous format used for the 2018/19 budget scrutiny workshops be continued, with a separate workshop arranged for each of the four Overview and Scrutiny Committees.

Members noted that a list of budget proposals under the remit of the Adult Care and Health Overview and Scrutiny Committee were considered by the Chair and Party Spokespersons of the Committee, with agreement that all proposals put forward would be examined during the workshop.

The report further informed that a dedicated scrutiny workshop had been convened for Members of the Adult Care and Health Overview and Scrutiny Committee on Thursday 6 December 2018 in order to discuss the budget proposals for 2019/20. The outcome of the workshop deliberations at Appendix 1 to the report set out two key proposals, namely:

- Use of Grant Funding – proposing a review of contractual obligations in order to identify financial savings in current public health contracts to find approximately £800,000 for reinvestment into other Council services supporting the delivery of public health outcomes; and

- Mitigating Adult Social Care demand through maximising independence and wellbeing –whereby a number of savings plans and mitigations had been formulated to meet the cumulative gross budget deficit of £7.8m forecast for Adult Social Care in 2019/20. This included a focus on service delivery efficiencies, service quality improvements and income generation, as well as the use of national grants and funding.

The Chair sought views from Members of the Adult Care and Health Committee who had been unable to attend the workshop.

Resolved - That

(1) the report on the Workshop (Appendix 1 to the report) be agreed as the Committee's formal response to the 2019/20 budget proposals; and

(2) the report and its appendix be referred to the Cabinet for consideration at the time when it is making recommendations to the Council in respect of the Council's Budget for 2019/20.

DRAFT MINUTE EXTRACT

BUSINESS OVERVIEW AND SCRUTINY COMMITTEE

22 JANUARY 2019

40 **BUDGET PROPOSALS SCRUTINY WORKSHOP REPORT**

A report from the Chair presented the findings of the Business Overview and Scrutiny Committee workshop in relation to scrutinising the 2019/20 budget proposals. A workshop had been held on 11 December, 2018 for Members to explore in more detail the four budget proposals which the Chair and Party Spokespersons had prioritised for further scrutiny and which fell under the remit of this committee. These were:

- Benefits of Economic Regeneration
- Disposal of Marine Point Freehold
- Asset Management – Capital Receipts
- Treasury Management

The Committee was requested to acknowledge this report as its response to the 2019/209 budget proposals to be referred on to Cabinet as part of its considerations in developing any budget recommendation to Council.

The workshop report had noted the key points made by both Members and officers in attendance. No objections to the four proposals were raised at the workshop. Members of the Conservative Party in attendance reiterated their view that the scrutiny of the budget proposals should be held in public at a formal committee meeting and no opinion on those proposals presented at the workshop was given.

The Chair commented further that unfortunately the workshop didn't work too well as there was not enough time to discuss all of the information and that out of a number of budget proposals these had had to be whittled down to just four. A number of Members had not been able to make the workshop for a variety of reasons, including another workshop being held on the same evening and the workshop being called at very short notice.

Councillor Dave Mitchell asked for Councillor Allan Brame's name to be recorded in the Scrutiny Report as he understood that he had attended in place of himself.

Responding to Members' comments, Shaer Halewood agreed to provide a written response in respect of the question on Dominic House as to how long it had been empty, why the freehold and not the leasehold were proposed for sale and if there had been any expressions of interest from private or voluntary sectors for alternative uses for the building. With regard to a replacement Corporate Director for Economic and Housing Growth, she commented that the Corporate Director for Business Management was currently acting in this role and arrangements were being looked at as to how to replace this role.

A Member queried why the workshops did not appear in the diary and suggested that in future they should be full committee meetings. Another Member suggested that budget workshops should not be held in public.

It was then moved by the Chair and seconded by Councillor Jerry Williams, that –

"(1) Committee agrees to note the report but that the wording, 'No objections to these four proposals were raised at the workshop' be removed from the conclusions section.

(2) The Committee felt that they were not able to give due and proper consideration to the matters before them at the workshop because:

- More information needs to be forthcoming in advance.
- The timetable is too short and puts too much pressure on Members and officers to allow full and proper scrutiny.
- Due to Members' other commitments it meant it was impossible to make a full and informed analysis of the proposals before them.

(3) Committee therefore asks Cabinet to take note of the comments of the Business Overview and Scrutiny Committee."

Following advice from the Director of Governance and Assurance in respect of amendments and motions, it was then moved as an amendment by Councillor Chris Blakeley and seconded by Councillor Steve Williams, that –

"This Committee feels that the workshop was not able to give full and proper consideration to the matters before it because:

1. Not enough information was forthcoming.
2. The timetable is too short.
3. Committee does not believe a workshop held in private is right and proper and these important matters should be held in an open and transparent manner.

Committee therefore informs the Cabinet that it is unable to make any budget recommendations."

The amendment was put and lost (4:8).

The motion was put and carried (7:4) (One abstention).

Resolved –

(1) Committee agrees to note the report but that the wording, 'No objections to these four proposals were raised at the workshop' be removed from the conclusions section.

(2) The Committee felt that they were not able to give due and proper consideration to the matters before them at the workshop because:

- **More information needs to be forthcoming in advance.**
- **The timetable is too short and puts too much pressure on Members and officers to allow full and proper scrutiny.**
- **Due to Members' other commitments it meant it was impossible to make a full and informed analysis of the proposals before them.**

(3) Committee therefore asks Cabinet to take note of the comments of the Business Overview and Scrutiny Committee.

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DRAFT MINUTE EXTRACT

CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE

24 JANUARY 2019

38 **2019/2020 BUDGET SCRUTINY WORKSHOP REPORT**

The Chair presented a report by a Scrutiny Officer informing of a Scrutiny Workshop held on 5 December 2019 when Members had considered the 2019/20 budget proposals being put forward in respect of its remit. Attached to the report was a further report that detailed the proceedings of the Workshop.

The Workshop had provided Members with the opportunity to examine in greater detail a number of budget proposals. The budget proposals selected for further examination had been identified by the Chair and Group Spokespersons as those deemed to be of greatest significance in terms of value and the public interest. The report summarised the proposals scrutinised and the comments and suggestions of those Members who had been in attendance at the Workshop.

Those Members who had attended the Workshop were in agreement that the proposed budget savings options were measured and achievable. They had also agreed that the £20m invested last year had stabilised services and the focus was now on investing in the longer term and reducing this figure.

Members had also agreed that they wanted to look closer at the cost of placements for looked after children, and it had been proposed that this be added to the Committee's Work Programme.

RESOLVED: That

(1) the report on the Workshop (Appendix 1 to the report) be agreed as the Committee's formal response to the 2019/20 budget proposals; and

(2) the report and its appendix be referred to the Cabinet for consideration at the time when it is making recommendations to the Council in respect of the Council's Budget for 2019/20.

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DRAFT MINUTE EXTRACT

ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

30 JANUARY 2019

40 **BUDGET PROPOSALS**

A report by the Chair of the Committee presented the findings of two scrutiny workshops for the Environment & Scrutiny Committee in relation to scrutinising the 2019/20 budget proposals. Budget proposal workshops for Members of the Environment Overview and Scrutiny Committee were held 4 December 2018 and 16 January 2019 and provided the Committee with the opportunity to examine in greater detail a number of budget proposals affecting services that fall under the remit of the Committee.

The report set out budget proposals as follows: Expert Operator of the Floral Pavilion and Expert operator of the golf courses. Summaries of Member and Officer comments were detailed within the report.

On a motion by Councillor A Sykes and seconded by Councillor Lewis it was:

Resolved (8:4: with two abstentions) That-

(1) committee is concerned that all options have not been explored to make the golf courses listed viable in this proposal; and

(2) committee is concerned that Brackenwood Golf Course is at a higher risk of being left as a cost to the Council budget, leading to greater risk of sale for development as the only viable future option, if excluded from the proposal, therefore, Committee urges the Cabinet Member to either withdraw this proposal, or only consider this option as a group of three golf courses including Brackenwood.

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MINUTE EXTRACT
BUDGET CABINET
18 FEBRUARY 2019

54 **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.

Despite the continued reductions in our budget, we are determined we will deliver on what we promised. This budget, despite the ongoing reductions to our funding, is balanced, it protects key services, and ensures investment in the areas most important to residents. It also protects our workforce, and ensures once again we are able to deliver a fair, sustainable budget without making compulsory redundancies."

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

(A) Revenue Budget 2019/20 and Medium Term Financial Strategy 2019/20 to 2022/23 (Councillor Davies) – the report provided a technical update on the proposals to balance the budget for 2019/20 and the Medium Term Financial Strategy previously reported to Cabinet on 26 November 2018. It described the background to balancing the budget gap and the key elements contributing to the preparation of the budget, and set out the formal recommendations on the 2019/20 budget and council tax for Full Council. The report included the updated Medium Term Financial Strategy (MTFS) and Resilience Plan for 2019/20 – 2022/23. This also included the publication of the Corporate Risk Register for 2019/20. These documents were dynamic and subject to change. In light of the Government fair funding review and recent funding consultations there was no certainty of funding past April 2020. However, the MTFS had been prepared on the best of knowledge available at the time including known future pressures and plans already underway to change the way the Council provided its services.

(B) Schools Budget and Funding Formula Changes 2019/20 (Councillor Mooney) - the report set out the Schools Budget for 2019/20 having been previously considered by the Schools Forum at their meeting on 16th January 2019. The Schools Budget covered education provision for all Wirral Pupils aged up to 18 in Early Years, Primary, Secondary and academy schools and for some pupils up to the age of 25 in Special Schools and High Needs providers. Most budgets were delegated to schools with some central provision for support services including school admissions and High Needs. The report proposed a number of changes to the local funding formula for Schools to allow a transitional transfer to the National Funding Formula. There were also changes proposed to High Needs. The Schools Budget provided resources to support all children and

young people pledges, and the proposals within result in an in-year deficit of £2,343,200 on the DSG budget.

(C) Capital Programme and Financing 2019/23 (Councillor Phil Davies) – the report provided Cabinet with the draft Capital Programme 2019/23 for consideration and referral to Council for approval. It also included information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts. The 2019/23 Capital Programme represented a combination of schemes originally approved as part of the 2018/21 Programme, updated through the Capital Monitoring reports in 2018/19 and new bids for inclusion as detailed in the report.

(D) Capital Financing Strategy 2019/20 (Councillor Janette Williamson) – the report stated that the Authority's treasury management activity was underpinned by CIPFA's 2017 Code of Practice on Treasury Management ("the Code"), in which there was a new requirement for Council to approve an annual Capital Strategy. This report fulfilled the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

(E) Treasury Management Strategy Statement 2019/22 (Councillor Janette Williamson) – the report stated that The Authority's treasury management activity was underpinned by CIPFA's 2017 Code of Practice on Treasury Management ("the Code"), which required the production of annual Treasury Management Indicators and a Treasury Management Strategy Statement on likely financing and investment activity. The Code also recommended that Members were informed of treasury management activities at least twice a year. This report fulfilled the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

(F) Investment Strategy Statement 2019/20 (Councillor Janette Williamson) – the report stated that in February 2018 the Ministry for Housing, Communities and Local Government (MHCLG) published updated 'Guidance on Local Government Investments'. The previous edition covered only Treasury Management investments. In recent years local authorities have had an increasing focus on commercial activities including but not exclusive to property. Such activity had the potential to bring both increased returns and increased positive and negative risk. The revised Guidance on Local Authority Investments required that a separate Investment Strategy focusing on non-treasury investments was produced and approved annually by Council. The report fulfilled the requirement of the MHCLG to produce an investment strategy that covered non-treasury activities.

Councillor Phil Davies informed that the Council continued to face another year of challenge to its budget setting year arising from further cuts in funding imposed by the Government. This year's budget had been structured in such a way that it contained three main elements i.e. the generation of income, providing services in a joined up fashion and the delivery of better services with greater efficiencies via the Council's transformation programme. Councillor Davies further informed that these decisions had been, as in previous years, a direct result of the huge

pressures placed on Local Authorities by Government because of the loss of the Revenue Support Grant funding. The Leader concluded that despite the difficult circumstances faced by the Council, he was proud to be in a position to deliver a balanced, sustainable and legal budget. In conclusion, he added his thanks to residents who had taken part in the budget consultation process, Scrutiny Members for their role in examining the draft proposals, together with Cabinet colleagues, the Chief Executive, Strategic Leadership Team, and all staff who helped deliver good quality services day-in, day-out.

Cabinet Members each raised their own concerns about the continued financial pressures faced by Wirral from Government and the significant reduction of funds over time. Members commented that they were proud to have managed to retain front line services against the background of austerity, and that the Council remained committed to delivery of its 20 Wirral Plan Pledges and continued in its aim to help grow the Wirral economy through the development of more investment, jobs, businesses and improved income for Wirral residents and workers.

Councillor Paul Stuart stated his support of the proposed budget and the pressures placed on those involved in its preparation to create a balanced budget against the background of Central Government austerity. He added that the Council had done extremely well to deal with these pressures e.g. Extra-care Housing, Children's Services, Street Lighting and Highways and had still managed to invest in other areas such as improvements to leisure service facilities, additional funding for the regeneration of Rock Ferry, and support for those struggling financially via the introduction of a Council Tax Reduction Scheme.

Councillor George Davies endorsed the budget, and added his condemnation of the nine years of austerity that had placed significant pressures on the Council. He stated that he wished to see the construction of more affordable, and quality, houses for the people of Wirral. Councillor Davies also made reference to the success of the private sector landlord accreditation scheme that helped to improve the standard of rental accommodation in four key areas of the borough. He fully endorsed the Leaders comment in relation to the significant achievement in delivery of a required £45million in savings, the result of Government austerity, and having produced a balanced budget without the need to resort to cutting services.

Councillor Bernie Mooney endorsed the comments that had been made, adding that the Council had been brave in its decisions over recent years, approaching issues in a different way (which had not always been easy) that had resulted in the Council being able to retain facilities and services, for example to retain its libraries, because once lost the cost of re-instatement could be prohibitive. Councillor Mooney stated that the budget was a testament to the leadership and the hard work of Council Officers, and that she was proud to support the budget recommendations.

Councillor Janette Williamson commented on how the Council had continued to make decisions in line with its priorities, but it was clear that the economy was not working well for many people on Wirral, and that Central Government's distain for Local Government and the Public Sector was clear. She agreed with earlier speakers that it was a significant achievement to deliver the £45million demanded

in savings as a result of Government austerity. She was proud that this Council had made progressive and ethical decisions, and thanked the Finance Officers for all their support in helping preparation of the budget.

Councillor Angela Davies described how Wirral Council was ambitious in its targets for the borough and made no apology for this, she supported the Council's ethical growth and investment strategy and plans for income generation. She stated her support for existing and future plans for the Wirral Growth Company, job creation, apprentices, encouraging local wealth and development of the visitor economy. Councillor Davies added that she looked forward to building on past success of events such as the 'The Giants' and the 'Tall Ships', and welcomed with excitement Wirral's year as borough of culture and the hosting of events that included the Tour of Britain cycle event.

Councillor Anita Leech stated that she was pleased that despite austerity, the budget would help continue to develop the work Council had already undertaken on improvements to infrastructure, buildings and reducing its carbon footprint. She commented on the improvements to equipment in children's play areas and state of the art football facilities. She also highlighted ongoing work by the Council that continued to provide supportive aids and adaptations to people's accommodation that enabled them to stay in their own homes much longer.

Councillor Stuart Whittingham stated that preparation of the revenue budget had been challenging, but he was pleased that the Council was currently still in a position to maintain services. He thanked the staff for their hard work and welcomed the capital programme that would help deliver improvements to street lighting and provision of cycling infrastructure, assisting with the delivery of Council policy and public health improvements. Councillor Whittingham welcomed the additional funding allocated within the budget to help provide support to New Ferry town centre.

Councillor Chris Jones agreed with earlier speakers that it was a significant achievement to have steered the Council through the past few years of austerity and echoed Members' earlier comments regarding new ways of thinking and the use of innovative ideas to deliver services for the people of Wirral. She thanked frontline staff and Officers for their efforts, making particular reference to Social Workers and their colleagues and the unprecedented levels of demand on their service year on year. Councillor Jones further praised the integration of services with those of the NHS and welcomed that care packages were now being delivered much quicker than had been done in the past as a result of this innovation.

Councillor Phillip Brightmore expressed his discontent with the continued financial pressures faced by Wirral imposed by Central Government and the significant reduction of funds in all the time he had served as an Elected Member. He thanked staff, volunteers and Trade Unions who had all contributed to help the Council in maintaining services in such key areas of leisure and recreational services.

Prior to moving to a vote on the content of the Council Budget, the Leader called upon Councillor Bernie Mooney to speak specifically on the Schools Budget and Funding Formula Changes 2019/20. Councillor Mooney responded, highlighting

the testing circumstances face by schools in the borough, and commented on the efforts made by Head Teachers and their staff, often going beyond what was required when dealing with Central Government imposed cuts and changes to funding formulae. She added that she was also extremely pleased with the extensive consultations and dialogue undertaken via the schools forum.

It was moved by Councillor Mooney, and seconded in a number of places that a fifth recommendation be included under item 6B (Schools Budget and Funding Formula Changes 2019/20) that:

> 'v) That Council calls upon the Government to stop cutting the DSG and move to start funding every child in Wirral appropriately giving them the start in life all children deserve'.

RESOLVED: (unanimously)

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

BUDGET RESOLUTION 2019/20

NATIONAL CONTEXT

We are now entering our ninth year of austerity. We have suffered almost a decade of Tory cuts which have decimated local services.

This Tory austerity agenda has driven councils throughout the country to breaking point. Pay freezes, redundancies, cuts to benefits, public service closures and fears about the future of the NHS are the main outcomes from nine years of Conservative-led Government.

The Local Government Association estimates that Councils face an overall funding gap of £3.2 billion in 2019/20.

A recent report from independent thinktank Centre for Cities confirmed what we all already knew. Towns and cities in the north of England have borne the brunt of austerity. Our region was and continues to be targeted by this Government.

In Wirral, these national policies have forced us into implementing £200 million in budget cuts. We have lost more than half of our national grant funding, and the rest will disappear in just 18 months.

It was only a few months ago that Theresa May promised an end to austerity. Sadly, like most of this Prime Minister's promises, the reality is far removed from the rhetoric.

Every year, as we face seemingly insurmountable challenges, we continue to deliver on our priorities in the Wirral Plan: Protecting Vulnerable People; Growing Our Economy; and Improving the Environment. We have found new ways to save money and generate additional income, while still providing the services residents need. And, somehow, every year we achieve it.

Despite this, the Conservatives locally refuse to acknowledge the damage done to local services by the policies of their government. They devote huge amounts of time to generating cheap headlines but remain largely silent when it comes to standing up for the residents of Wirral against the savage policies of their own ministers, or even suggesting constructive ideas to mitigate the impact of government cuts.

The decisions by their friends in Westminster, voting through more cuts to services in the House of Commons just weeks ago, should send a chill down their spines.

How can they stand by and do nothing whilst Wirral has been battered by austerity?

Once again, in what we know to be a forlorn hope, this Cabinet calls on the Conservative Group in Wirral to do what is right and join us in our fight to get a fair funding settlement for Wirral residents.

THE WIRRAL CHALLENGE

Wirral is forced to reduce its spending, or generate more income, by another £67 million by 2021/22. Our immediate challenge is to meet a £45 million funding shortfall for 2019/20.

These reductions are being made at the worst possible time. We have an ageing population, we're supporting deprived communities with complex needs, and more children than ever need our help.

Decimating our budgets when thousands of families need us most is, in the view of this Cabinet, unfair, unsustainable and irresponsible.

However, as residents know, we refuse to play the same game as this Government. We will not simply pass on the cuts to our budget with cuts to our services and our workforce. Our residents deserve better, and our staff deserve better.

We are a well-run Council. We have an established financial strategy, which focusses our energies on creating new income – to replace what has been taken from us – and delivering better services, with better value.

Our strategy is paying dividends.

Despite the best efforts of this Tory Government:

- We are again proposing a budget which is balanced, sustainable and legal.
- We are again closing no services.
- We are again protecting our workforce and making not a single compulsory redundancy.
- We have secured major investment for vulnerable children and families.
- We continue to challenge every pound which we spend to make sure it is delivering the best value.

This Cabinet rejects austerity. We believe in fairness and social justice. We believe that public services and support should be available to everyone.

Our overall budget strategy of focussing on ethical investing, to bring in the additional revenue our services need to survive, on improving services, so they are fit to meet modern needs and on delivering better value, to ensure we are as efficient and lean as possible, will continue.

This is our response to austerity, and it is working. Our performance analysis shows we are delivering for residents against the Pledges we set out at the start of this journey in the Wirral Plan.

ETHICAL INVESTING

The huge reductions in our funding from Government have left us with two choices: cut our cloth, and cut services, or make the money to pay for them ourselves. We have chosen the latter option. We will replace the money we have lost with money we have made ourselves, but we will do it with a Labour Stamp and with a social conscience.

We will invest our resources and our time in projects which bring a surplus, which we can reinvest into services, but which will also put money into the pockets of local businesses and people. Our Community Wealth Building initiative is a shining example, which will see the Council and other public institutions come together to make sure more public money is spent in Wirral, with Wirral companies, employing Wirral people. We think this work will boost our local economy by more than £10 million in the next year.

This is also why we have created the Wirral Growth Company. We are maximising the value from old, unused council assets to build prosperity and growth. It will create jobs and opportunities for local people and the developments brought forward will put money in the pockets of local businesses and people; creating the homes, offices, leisure and retail opportunities our borough so desperately needs.

The Growth Company will also bring money directly into this Council's coffers. This year, before a single brick has been laid, we will see a dividend of more than £5 million. This is money which we otherwise would not have had. Without this money, our budget gap would be £5 million bigger, and services would have had to be cut, rather than invested in.

We are calling this approach 'ethical investing.' It is about bringing growth to the borough, bringing revenue into the Council, with a Labour conscience – a private sector head, and a public sector heart. It is abundantly clear that only our Administration has the capability and ambition to bring prosperity to this borough.

We are now officially Liverpool City Region Borough of Culture for 2019, with a programme of events which will even outstrip our incredible achievements of last year. The centrepiece of our calendar will be the Tour of Britain events scheduled for May and September, which will be broadcast live throughout the world and will put Wirral firmly on the map. The evidence shows that culture can provide the rocket fuel for growth. And we are making our borough a more attractive place to invest, to work, to live in and to visit.

The Wirral Growth Company is an example of the importance we attach to adopting a more commercial approach. This will enable us to fund good quality public services by replacing government grant with new income streams. Going forward, if we are to avoid the fate of Councils such as Tory-led Northamptonshire County Council, we will need to identify further projects which will generate new income for the Council.

BETTER SERVICES

When budgets are tight, and demand is rising, making services better than they were before is an almost impossible task. The way we can improve them and make sure people get better support costing less money is to break down the barriers between services and public agencies. When we work together, we are stronger, and we can make our money go further.

Wirral's public services are now the most joined-up in the country. That is a huge statement, and one we should be proud of. We should be proud not because we have saved money by joining with our partners. We should be proud because we have improved our services and made people's lives better.

Through the Safer Wirral Hub, a unique collaboration between Merseyside Police, Merseyside Fire and Rescue Services and Wirral Council, we have seen a 30% reduction in youth offending. In just one year, that is almost unheard of.

Right now, we have the highest-ever level of disabled people in employment, thanks to our pioneering work through services like Wirral Evolutions and our partners in the local NHS.

The transfer of our Adult Social Care Social Workers to the NHS has meant that people no longer have to tell their story multiple times to multiple professionals. This integration is helping to mitigate pressures of £22 million in this service area.

We have also seen our Business Support service, delivered through our partnership with Wirral Chamber of Commerce, support local firms to create 3500 new jobs over the past three years.

Finding the best, most efficient, but crucially most effective way of providing services is vital. We will not rest until we have improved every one of our services, protecting them from Whitehall-cuts and making sure they are able to meet the modern needs of Wirral residents.

BETTER VALUE

Demand for our services is at an all-time high, while cuts to our budgets have gone deeper than ever before. Our services are in a perfect storm of unbelievable pressure.

Under these circumstances, to continue to deliver on our promises to residents and continue to deliver excellent services is nothing short of astounding. The Administration is grateful to our dedicated workforce for the excellent job they do in delivering high-quality public services.

Over the past nine years, our workforce has reduced by more than a third. Almost 2,000 people have left and not been replaced. We do not believe any organisation, in any sector, in this country could cope with this level of reduction and change as well as we have.

Rather than cutting vital services, we have transformed, instead. We have taken the terrible hand the Government has dealt us, but we have not folded. We found a different way to progress.

Because of this different approach, we continue to invest in those things most important to our residents. The £20 million we found to invest into our children's services last year – more than any other Council in the country – is working. Consistent praise from Ofsted, rapidly improving services and better outcomes for children is testament to that.

We have also focussed on managing demand by prioritising early help and intervention in services such as Children & Families. We have also promoted independence with a move away from the Council doing everything and encouraging self-help and community empowerment and resilience through the Wirral Together initiative. We are also devolving more power to communities by providing budgets to individual ward members to spend on local projects.

We will also continue to invest in our local infrastructure and the communities we live in. Over the coming year we will invest more than £8 million on a programme of highway improvements, pothole repairs and road resurfacing. Residents will also soon see our ambitious programme of replacing every streetlight in the borough with new energy efficient lights spring into action.

These huge investments are only possible thanks to our ambitious, entrepreneurial and innovative approach to managing Wirral's finances.

HELPING LOW INCOME HOUSEHOLDS

Because of this socially and fiscally responsible approach to budget management, we are in a much stronger position to deliver on Labour values and support the most vulnerable. This Cabinet is hugely proud to be launching a new and improved Council Tax reduction scheme.

This new programme will see more than 9,000 low income households get a better deal on their Council Tax. These are households who are struggling to get by, who are using foodbanks, who are working hard to keep their heads above water. It is right that we give them some help.

PROTECTING OUR STAFF

It is only because of the success of our financial strategy – bringing new revenue into the Council from ventures such as Wirral Growth Company, to replace the money taken from us by Government – that we have been able to deliver another balanced budget without any compulsory redundancies.

This year I am pleased to say we can go further and, after extensive and positive discussions with our Trade Union colleagues, we are able to reduce the amount of unpaid leave our workforce are required to take from four days down to three.

We know our staff are our most valuable resource. It is our workforce who have worked tirelessly to keep providing the services Wirral residents rely on every day. We understand the pressure they are under, we are immensely grateful for their efforts and we will continue to do all we can to support them.

NEW FERRY

New Ferry is a community we will never forget. The Government has shamefully turned their back on this town, denying them the support they deserve on no less than four separate occasions. This Cabinet remains firmly behind the regeneration of New Ferry and the support of this community.

We have done all we can to support every resident and business affected by the events of March 2017. We are purchasing properties, to make sure the rebuilding process happens at pace. We are creating new residential developments in the town, and now we are in a position to go further.

In addition to the £300,000 which the Council invested in the immediate aftermath of the gas explosion, we are setting aside a further £200,000 to help and support the residents and businesses of New Ferry. This money should be used to kick-start the rebirth of the town, helping businesses get back on their feet and residents to rebuild their lives. We will ask officers to report to Cabinet early in the new municipal year with a proposed methodology for allocating this funding.

A COLLABORATIVE BUDGET

Again, we remind residents we are here to work for them. We will never set a budget in isolation. Consultation, engagement, and conversations with residents will always underpin every decision we take. Almost 1,300 residents took the time to give us their views on our budget, our priorities and our plans and we pledge to use this valuable feedback as decisions are made.

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

CONCLUSION

In summary, this is a balanced budget built around our Labour values of social justice, inclusive growth and delivering good quality public services for everyone. It supports the important work being done to deliver services our residents rely on. It invests in our economy, makes improvements to our environment and shares the burden fairly between all those who can afford to contribute and those who enjoy the services Wirral offers.

We are closing no services.

We are investing in what is most important to residents, those on low incomes and communities which have suffered recent tragedy.

We are protecting our workforce.

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

RECOMMENDATIONS

1. Cabinet, having had regard to the responses to the proposals announced at the 26 November 2018 meeting recommends to Budget Council for approval:-

Revenue Budget 2019/20 and Medium Term Financial Strategy to 2022/23 **(Agenda Item 6)**

1. Cabinet recommends to Budget Council a Budget proposal for 2019/20 and MTFS 2019/20-2022/23 based upon:

   a) The updated Medium Term Financial Resilience Strategy (MTFRS) 2019/20 – 2022/23 as set out at Appendix 1

   b) The consultation findings from the series of consultation events during December 2018 and January 2019 as detailed in Appendix 2

   c) The fees and charges, as in Appendix 3, with delegated authority being:

      i) given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2019.
      ii) given to the relevant Director in consultation with the relevant Portfolio Holder and Section 151 Officer to vary existing fees and charges.
      iii) Approval of the Pricing and Charging Policy.

   d) Approval of the Discretionary Rate Relief Policy for Business Rates for 2019/20 as in Appendix 4

   e) The level of General Fund Balances being recommended, as set out paragraph 3.51, continuing to be based on a locally determined approach based on an assessment of the financial risks that the Council may face in the future and that the Council maintains balances at, or above, this level.

   f) The Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 5.

2. Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2019/20 and that:

a) For Wirral Council Services the Council Tax be increased by 2.99% for 2019/20.

b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside, from the Merseyside Fire & Rescue Service and from the Liverpool City Region Combined Authority.

Schools Budget and Funding Formula Changes 2019/20 **(Agenda Item 6B)**

Cabinet recommends the 2019-20 Schools Budget of £267,661,400 to Budget Council having taken account of the views and formula proposals from the Schools Forum that:

i) That the 2019-20 schools funding formula should be a transition formula introducing some elements of the National Funding Formula including the minimum per pupil funding formula levels of £3,500 for primary schools and £4,800 for secondary schools.

ii) That a Minimum Funding Guarantee of 0% for Wirral schools in 2019-20 is approved to provide additional protection and stability in funding, and to ensure that no school can lose pupil funding unless there is a reduction in pupil numbers ensuring that no pupil is disadvantaged as a result of the change in formula.

iii) That the continuing Contributions to Combined Budgets should be £875,600 in 2019-20.

iv) That any remaining uncommitted Dedicated Schools Grant (DSG) reserves remaining at the end of 2018-19 are used as a contingency to support High Needs pressures in future years.

v) That Council calls upon the Government to stop cutting the DSG and move to start funding every child in Wirral appropriately giving them the start in life all children deserve.

Capital Programme and Financing 2019/23 **(Agenda Item 6C)**

1. That the new bids as detailed in Appendix 2 requiring £30.4 million borrowing be approved for inclusion in the Capital Programme.

2. That the bids referred to in paragraphs 6.4.1 to 6.4.5 are included in the programme but where specified, are deferred to a later commencement date, on an individual basis, in recognition of an ongoing review.

3. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority.

4. That Cabinet recommend to Council for approval the Capital Programme 2019/23(as detailed in Appendix 3).

5. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangements.

Capital Financing Strategy 2019/20 **(Agenda Item 6D)**

1. That Members approve the Capital Strategy for 2019/20.

2. That the associated Prudential Indicators be adopted.

3. That Members note the Council's Minimum Revenue Provision policy.

4. That Members note the flexible capital receipts policy.

Treasury Management Strategy Statement 2019/22 **(Agenda Item 6E)**

1. That Members approve the Treasury Management and Investment Strategy for 2019/2022.

2. That the Treasury Management Indicators be adopted.

3. That Members approve the Council's Minimum Revenue Provision policy.

4. That the Council Officers listed within Appendix G, of the Strategy Statement, be authorised to approve payments from the Council's bank accounts for all treasury management activities.

Investment Strategy 2019/20 **(Agenda Item 6F)**

That Members approve the Investment Strategy for 2019/2020 which includes potential investment in the following activity areas:

- Commercial Property
- Service Investments: Loans
- Service Investment: Shares (non-currently held)
- Loan Commitments and financial Guarantees

The Statutory Calculations and Resolution

It be noted that in accordance with Section 31B of the Local Government Finance Act 1992 (as amended), that Cabinet on 26 November 2018 calculated the Council Tax Base 2019/20 for the whole of the properties in its area as 93,497.8 for 2019/20 (Item T in the statutory formula).

That the following amounts be calculated and approved by the Council for the year 2019/20 in accordance with Sections 32-36 of the Local Government Finance Act 1992 (as amended) ("the Act");

a) £142,436,211 being the amount calculated in accordance with Section 31A (4) of the Act (amended) as the Council Tax Requirement for 2019/20 (item R in the statutory formula). This amount (D) is determined as being the difference between:

i) £853,640,211 this being the aggregate of the amounts calculated in accordance with Section 31A (2) of the Act (as amended), i.e. the aggregate of the amounts that the Council estimates that will be charged to a revenue account for the year in performing its functions, that are required to be set aside for contingencies and reserves and required to be transferred from its General Fund to its Collection Fund in the year and

ii) £711,204,000 this being the amount calculated in accordance with Section 31A (3) of the Act (as amended), i.e. the aggregate of the amounts of income that the Council estimates will be credited to a revenue account for the year in accordance with proper practices, the amount of reserves that are estimated to be used to provide for the items referred to in paragraph (a) above, and required to be transferred from its Collection Fund to its General Fund in the year.

b) £1,523.42 being the amount calculated in accordance with Section 31B (1) of the Act (amended) as the Basic Amount of Council Tax for 2019/20. This amount being calculated as item R divided by item T (as above).

c) That in accordance with section 36(1) of the Act that the following amounts are calculated for each valuation band in the area:

Wirral – Basic Amount of Council Tax per Valuation Band

A	B	C	D
£1,015.61	£1,184.88	£1,354.15	£1,523.42
E	F	G	H
£1,861.95	£2,200.49	£2,539.03	£3,046.84

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

It be determined that the amount set in (c) above as the Council's Basic Amount of Council Tax for 2018/19 is not excessive in accordance with the principles determined by the Secretary of State under section 52ZC of the Act (as amended) and that no Referendum to approve the Basic Amount of Council Tax is required. The principles require a Referendum to be held for any increases of 3% or above.

Wirral – Basic Amount of Council Tax Comparison for Referendum

	2018/19	2019/20	Change	Change
	£	£	£	%
Band D	1,479.19	1,523.42	44.23	2.99

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

Police and Crime Commissioner for Merseyside (figures awaited)

A	B	C	D
E	F	G	H

Merseyside Fire and Rescue Authority (figures awaited)

A	B	C	D
E	F	G	H

Liverpool City Region Combined Authority –Mayoral Precept

A	B	C	D
12.67	14.78	16.89	£19.00
E	F	G	H
23.22	27.44	31.67	38.00

That having calculated the amounts for Wirral together with the Police, Fire and Liverpool City Region – Mayoral Precept the Council in accordance with Section 30 (2) of the Act hereby sets the following amounts as the total amount of Council Tax for the year 2019/20 for each of the categories of dwellings.

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

A	B	C	D
E	F	G	H

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WIRRAL

 **COUNCILLOR PHIL DAVIES**	**CABINET** **18 FEBRUARY 2019** **REVENUE BUDGET 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2022/23**

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.

Despite the continued reductions in our budget, we are determined we will deliver on what we promised. This budget, despite the ongoing reductions to our funding, is balanced, it protects key services, and ensures investment in the areas most important to residents. It also protects our workforce, and ensures once again we are able to deliver a fair, sustainable budget without making compulsory redundancies."

REPORT SUMMARY

The report provides a technical update on the proposals to balance the budget for 2019/20 and the Medium Term Financial Strategy previously reported to Cabinet on 26 November 2018. It describes the background to balancing the budget gap and the key elements contributing to the preparation of the budget and sets out the formal recommendations on the 2019/20 budget and council tax for Full Council.

The report includes the updated Medium Term Financial Strategy (MTFS) and Resilience plan for 2019/20 – 2022/23. This also includes the publication of the Corporate Risk Register for 2019/20. These documents are dynamic and subject to change. In light of the Government fair funding review and recent funding consultations there is no certainty of funding past April 2020, however the MTFS has been prepared on the best of knowledge available at the time including known future pressures and plans already underway to change the way the Council provides its services.

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

Cabinet has to recommend a 2019/20 Budget proposal to Council on 4 March 2019. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2019. This is in order to formally set the Revenue Budget and Council Tax for the 2019/20 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2019/20 by 10 March 2019.

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

RECOMMENDATIONS

1 Cabinet recommends to Budget Council a Budget proposal for 2019/20 and MTFS 2019/20-2022/23 based upon:

a) The updated Medium Term Financial Resilience Strategy (MTFRS) 2019/20 – 2022/23 as set out at Appendix 1

b) The consultation findings from the series of consultation events during December 2018 and January 2019 as detailed in Appendix 2

b) The fees and charges, as in Appendix 3, with delegated authority being:

i) given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2019.

ii) given to the relevant Director in consultation with the relevant Portfolio Holder and Section 151 Officer to vary existing fees and charges.

iii) Approval of the Pricing and Charging Policy.

c) Approval of the Discretionary Rate Relief Policy for Business Rates for 2019/20 as in Appendix 4

d) The level of General Fund Balances being recommended, as set out paragraph 3.51, continuing to be based on a locally determined approach based on an assessment of the financial risks that the

Council may face in the future and that the Council maintains balances at, or above, this level.

e) The Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 5.

2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2019/20 and that:

a) For Wirral Council Services the Council Tax be increased by 2.99% for 2019/20.

b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside, from the Merseyside Fire & Rescue Service and from the Liverpool City Region Combined Authority.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Cabinet is required to recommend a Budget to Council on 4 March 2019. The issues detailed in this report support the recommendations which all contribute to enabling Cabinet to be in a position to recommend a Budget proposal.

1.2 Section 25 of the Local Government Act 2003, requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.

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

1.4 The Police & Crime Commissioner for Merseyside, the Merseyside Fire & Rescue Service and the Liverpool City Region Combined Authority issue a precept on the Council to be paid through the Council Tax.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Budget position collated in this report represents the result of a wide range of available options, based upon detailed and assessed assumptions, to produce a robust Budget. Cabinet could consider alternative budget proposals or choose to implement on a different timescale. This could present a risk to our ability to set a balanced budget for 2019/20 and increase the financial risks faced through the slippage of proposals.

3.0 BACKGROUND INFORMATION

THE WIRRAL PLAN

3.1 This report lays out the Budget for 2019/20 that supports the delivery of the Wirral Plan approved in July 2015. The plan provides a clear ambition for the area based on three overarching priority areas:

PEOPLE	Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.
BUSINESS	Wirral is a place where employers want to invest and businesses thrive.
ENVIRONMENT	Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

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

THE CURRENT FINANCIAL LANDSCAPE

3.3 Since 2010 Wirral Council has seen £200m cuts to the budget as a result of austerity. This has had a significant impact on the way we support our communities but by careful planning, a long term strategy of income generation and taking opportunities from digitalisation and transforming services, the impact on our communities has been minimised.

3.4 The Council is in year three of a four year efficiency plan, this is a dynamic plan as we did not expect the plan to remain static over the four years and each year, we have revised the plan to respond to national and local changes. Once the plan comes to an end, our funding position is unknown.

3.5 The MTFS approved by Cabinet in July 2018 set out the robust and measured way that the Council will address the challenges that it faces in the period to 2023. Since summer 2018 further work has been undertaken to develop the detailed budget for 2019/20 and indicative proposals for the period to 2023. This has been an ongoing process led by the Cabinet and supported by officers. The result is an updated MTFS to 2022/23 that reflects updated assumptions, identifies financial proposals for the basis of a balanced 2019/20 budget and presents a financially sustainable position 2022/23 in spite of an uncertain national funding picture.

3.6 The Government has made no detailed announcements on the funding of local government beyond next year. The announcements are not expected until summer 2019. The outcome of review of local government funding via business rates and the Fair Funding Review will not be known until the autumn. This position of uncertainty makes it very difficult to plan over the medium to long-term with no indication as to whether further reductions to specific grants are planned or any proposed changes to the current business rates pooling pilot.

3.7 From 2020 councils will retain all Business Rates as General Government funding of local government will cease with the ending of Revenue Support Grant. Differences in the ability to raise funding from local taxation and the need to fund services in a local area are being addressed by a series of working groups by the Department for Communities and Local Government and the Local Government Association. Wirral along with other Councils in the Liverpool City Region are participating in a pilot of the 100% retention of Business Rates from 2017/18. Wirral, and the other councils in the region, ceased to receive any Revenue Support Grant from central government in 2017/18 with the loss of grant being compensated by the retention of

Business Rates raised plus a Rates Top Up grant to ensure that there is no detriment to Wirral's funding resulting from the pilot scheme.

3.8 The future of Public Health grant is also uncertain. There is speculation that following the fair funding review the grant will be distributed as part of the business rates retention scheme with its ringfencing removed. This poses a potential threat to value of the funding; especially as public health grant funding is supporting many long term contracts that may have to be disbanded if the full funding is not available from 2020. The public health grant is also supporting several core non-statutory activities that may have to be cased if the funding is withdrawn.

THE 2019/20 BUDGET

3.9 The MTFS covering 2018/19 – 2021/22 was approved at Cabinet last summer. At this time the four year budget gap was £67m, made up over the 4 years as follows:

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

3.10 This gap has broadly remained the same over the past 12 months although some changes have been made within the assumptions as more clarify and certainty of figures are received. The gap makes an assumption for the level for Council Tax and Business Rates to be received during 2019/20 and the level of New Homes Bonus. In the Autumn statement, the Chancellor confirmed that our assumptions for New Homes Bonus remain the same.

3.11 In response to the submission of an efficiency plan three years ago the Government provided four year funding settlement figures to enable us to plan. As part of these figures was an assumption for a reduction in government funding of £9.2m for 2019/20. Following the final local government finance settlement figures received in January, the assumption for the reduction in funding was confirmed.

3.12 The Chancellors statement in the autumn did provide for some additional funding, namely for Winter Pressures and for pressures within Adults and Childrens Social Care. The additional one-off funding provided was £4.88m. Of this £1.8m is being used to fund domiciliary care pressures with the remainder offsetting current demand pressures within Children and Adult Social Care. As this funding is on-off it is uncertain whether it will continue and therefore presents a real risk to the support provided for vulnerable children and adults past 2020.

3.13 The budget requirement for 2019/20 is as follows:

2019/20 BUDGET REQUIREMENT	19/20 £m	19/20 £m
Budget Requirement		**274.42**
Funding Assumptions:		
Council Tax	(136.43)	
Target new properties	(0.74)	
Council tax increase at 2.99%	(4.10)	
Business Rates	(136.44)	
Loss of revenue support grant	9.20	
Improved Better Care Fund rolled in	(0.90)	
Business Rates Inflation	(2.50)	
New Homes Bonus	(0.71)	
Total Funding		**(272.62)**
Replace previous years temporary funding	27.40	
Add 19/20 pressures	15.70	
Total budget gap		**44.90**

BUDGET SAVINGS

3.14 Throughout the summer the Cabinet have led the process to identify proposals to bridge the £45m gap. These proposals have been challenged and scrutinised through a robust process to ensure they are acceptable, feasible and deliverable. The summary of proposals by Portfolio are as follows. A full list of the proposals are detailed in the appended Medium Term Financial Strategy:

TOTAL SAVINGS PROPOSALS BY PORTFOLIO	19/20 £m
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to funding	3.25
Total	**45.00**

BUDGET PRESSURES

3.15 Contributing to the budget gap are also a series of pressures. These pressures are mainly as a result of continuing demand for services, inflationary increases to contracts with suppliers and providers and pay and pensions increases. The summary of pressures by Portfolio is included in the following table and a full list of pressures can be found in the appended MTFS:

TOTAL PRESSURES BY PORTFOLIO	**19/20 £m**
Jobs & Growth	(0.20)
Environment	(1.85)
Children & Families	(1.10)
Adult Care & Health	(6.30)
Finance & Resources	(5.70)
Leisure and Recreation	(0.55)
Total	**(15.70)**

SUSTAINABILITY OF USE OF ONE-OFF FUNDING

3.16 In 2018/19 significant investment was provided for Children's Services following a poor OFSTED inspection in 2016. £25m additional funded was provided in the 18/19 budget of which £10m was one-off funding on the premise that this would be 'repaid' over a three year period by changing the way the service was provided as a result of the improvement programme. In 2019/20 £3.9m of this funding has been repaid but this has required the remaining £6.1m of the one-off funding to be replaced for permanent ongoing expenditure. In addition to this one-off funding being found for Children's investment, a further £17m of one off funding was used in 18/19 to balance the overall budget gap.

3.17 This method of balancing a budget is not sustainable in the long term and while short term funding can be generally used on a temporary basis to bridge gaps in the budget while permanent solutions can be found, there should be a robust plan to transition out of this.

3.18 In 2019/20 the value of one-off funding being used to bridge the budget gap is £9m. This is deemed a manageable amount as some of this funding will be provided to support transformation and improvement programmes, of which will require initial pump priming funding. Once these programmes are implemented, they will result in reduced ongoing expenditure for the future in which case the one-off funding will no longer be required.

CONSULTATION OUTCOME

3.19 In November, Cabinet approved the financial proposals for consultation for the 2019/20 budget. The consultation took various forms and included:

- Budget survey questionnaire
- 4 public events
- 2 staff events
- 5 Overview and Scrutiny workshops

3.20 As a result of the consultation responses, no changes were made to the proposals to bridge the budget gap for 2019/20. Details of the consultation feedback can be found at Appendix 2 and the full responses from the Overview and Scrutiny Committee's appears in a separate paper elsewhere on the agenda.

THE RESPONSE FOR A SUSTAINABLE FINANCIAL FUTURE

3.21 The Medium Term Financial Strategy is included at Appendix 1. The four year strategy to 2023 highlights the Council's response to continued austerity taking an investment and growth approach to delivering and protecting services that are important and valued by our communities. This is achieved in three ways:

1. Income Generation
2. Being as efficient as we can be
3. Working in partnership to deliver services

3.22 Over the medium term financial strategy proposals are being developed to ensure the budget can be balanced and the council financially sustainable during the next four years. The £17m budget gap for 2020/21 is a calculation of a variety of items these being:

- The final reduction in grant funding from government
- Known pressures resulting from demand, contract inflation and pay and pensions costs
- Replacing one-off funding used in 2019/20 for permanent expenditure
- The full year effect and/or year 2 savings from proposals already agreed.

3.23 The medium term financial strategy is planned to be balanced over the next four years through a series of new proposals. These proposals will be developed over the next 12 months as part of a continuous budget setting strategy. Once strategic outline business cases have been developed the proposals will undergo the same challenge and scrutiny from Cabinet as part of the Start Chamber process that took place in 2018/19. This will enable the proposals to be assessed for acceptability, feasibility and deliverability in good time to enable any consultation to be carried out and the Cabinet to take a decision to implement. The proposals are at this stage in draft but form the themes included in the following table:

	2019/20	2020/21	2021/22	2023/23
	£m	£m	£m	£m
4 year Budget Gap	**45**	**17**	**3**	**2**
19/20 Budget Options in 3.14	(45)			
Review of commissioned services		(3.5)		
Children & Families Innovation Programme		(2.0)	(1.0)	
Review assumptions for pressures		(1.5)		
Income Generation		(3.0)	(1.0)	(1.0)
Depot Supersite		(0.5)		
Reforming Services Programme		(1.0)	(1.0)	(1.0)
Contract Review Year 2		(3.5)		
One-off invest to save funding		(2.0)		
Revised budget gap	**0**	**0**	**0**	**0**

3.24 The MTFS is dynamic and these proposals may be subject to change as more information emerges regarding the new Government formula funding review from 2020 which we are told will be available in the autumn.

INCOME GENERATION

3.25 As we do not have level of funding to deliver services that our residents value, we have to replace this lost funding with income. This is an integral part of our financial strategy and without it, we would potentially not be able to deliver any of our non-statutory services.

Economic Regeneration

3.26 As the Council agrees its partnership with Muse in forming the Wirral Growth Company, it will benefit from significant income dividends from the regeneration projects that will be undertaken in the business plan. Over the next decade the Council will benefit from £50m+ income as a result of the projects being undertaken that will include just over £5m in 2019/20. Without this level of income to support the 2019/20 budget our non-statutory services would not be able to remain operating in the same way.

Commercial Strategy - Fees & Charges

3.27 All fees and charges, including concessions, are reviewed as part of the Annual Budget setting process and a Directory of Council Fees and Charges is maintained on the Council web-site.

3.28 Directorates have examined their fees and charges and set them according to the circumstance of their services. No general inflationary increase has been applied as this is not conducive to market conditions in some areas. Any changes, including new charges and those linked to an agreed saving,

have been incorporated into the Directory with changes in income targets reflected in the 2019/20 Budget. Appendix 2 provides detail.

3.29 Cabinet is asked to note the directory and give Delegated Authority to the Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2019.

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

Treasury Management Activities

3.31 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held to generate income from interest e.g. through loans to other organisations to take advantage of cash flow timing opportunities. The council cannot spend this surplus cash on day to day activities as it is required to pay our staff salaries and our suppliers but the income, we generate from interest re receive, we can spend on day to day service delivery e.g. pot holes.

3.32 Over the past two years we have made changes to the amounts we set aside to repay our future debt, called Minimum Revenue Provision. In making these changes we have saved millions on pounds to enable services to continue to be delivered. In 2018/19 we have released over £5m from our treasury activities to contribute to the budget gap and to enable us to keep our non-statutory services in operation.

Council Tax

3.33 Cabinet on 26 November 2018 agreed the Council Tax Base for use in 2019/20. The number of properties are adjusted for the Local Council Tax Support Scheme and other Council Tax Discounts, Exemptions and Disabled Relief and then converted to a Band D figure and then by the Collection Rate to give the Council Tax-Base.

Wirral Council Tax Band D calculation 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	7,461.0	11/9	9,119.0
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 *(1/9th 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

3.34 The increase in the Council Tax-Base from 2018/19 to 2019/20 will result in increased Council Tax income of approximately £2.23 million in 2019/20. Wirral's share of the precept after the non-collection allowance is applied will be £1.89 million. This amount has been reflected in the 2019/20 Budget.

3.35 The Government announced in the local government finance settlement that General Council Tax can increase by 2.99%. The Referendum threshold for general Council Tax increases is set at 3% (the same as 2018/19) for 2019/20. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2018/19 and 2019/20 (includes levies).

3.36 The decision on the level of Council Tax is made by Council in March. The current proposals containing for 2019/20 assumes that general Council Tax will increase by 2.99%.

Setting the Council Tax Levels

3.37 In setting the Council Tax the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council has to calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2019/20 is not excessive meaning that a Referendum is not necessary.

3.38 The Statutory Calculations are to form part of the Cabinet recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the

Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2019/20 with that for 2018/19 for the Council's basic amount of Council Tax.

3.39 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2019/20. In 2019/20 the Liverpool City Region Combined Authority will also be levying a precept for the LCR CA Mayoral precept.

Business Rates

3.40 Business Rates are payable by businesses based on the rateable value of the premises they occupy, which is calculated according to how much rent the premises would achieve if rented out. Valuations are carried out by the Valuation Office Agency on a five year cycle; the latest valuation list will apply from 2017. The Council is responsible for calculating actual rates bills and for collecting rates and use the rateable value in working out how much a business will have to pay. The actual rates bill is calculated by applying the rate multiplier (a rate in the pound) to the rateable value and then deducting any reliefs that are applicable.

3.41 Whilst presenting opportunities, the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. The amount received may fluctuate due to a number of reasons including:

- Appeals against rating decisions. Dealt with by the Valuation Office Agency and can be large and backdated a number of years.
- Changes in liability relating to changes in occupancy.
- Changes in building use.
- Alterations to buildings size and layout.
- Demolitions and new builds.
- Actions to avoid full liability including empty property / charitable reliefs.
- Assessment of bad and doubtful debts.

3.42 Cabinet are asked to approve the Discretionary Rate Relief Policy for Business Rates for 2019/20. The Policy has been updated for ease of reference and to include the following:

- The adoption of the new Business Rates Retail Discount Scheme for 2019-20 and 2020-21. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The Government will, in line with the eligibility criteria set out in their guidance, reimburse local authorities that use their discretionary relief powers, via Section 31 Grant

- The extension of the existing discount of £1,500 for 2019/20 for office space occupied by local newspapers. The relief is fully funded, as now, via Section 31 Grant.

- The adoption of the 100% relief from Business Rates for all standalone public toilets. The relief is funded fully via Section 31 Grant.

- The continuation of the existing Discretionary Rate Relief scheme for business that faced significant increases in their Business Rates as a consequence of the 2017 valuation. The qualifying criteria for 2019/20 will be for any business with a continuing increase in the rates payable following the Revaluation in 2017. This will be paid at a rate of 30% of the increase. The relief is funded fully via Section 31 grant

A copy of the revised Discretionary Rate Relief Policy is set out at Appendix 4

3.43 The surplus/ deficit in 2019/20 being allocated to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2018/19 financial year together with a forecast for 2019/20 had to be submitted to the Government by 31 January 2019. The forecast Business Rates income for 2019/20 shows that the receipts to the Council will increase by £1.7 million from the 2018/19 levels.

3.44 Since April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate local authorities for these decisions the Government has allocated Councils a Section 31 Grant. An announcement regarding the grant for 2019/20 is awaited from Government.

3.45 The uncertainties that surrounded the operation of and funding of the Business Rates Pilot across the Liverpool City Region plus the Revaluation in 2017 have reduced through 2018/19 as it has become established. Whilst this does remain a complex and volatile area of income it is felt that this has reduced since last year and the earmarked reserve to mitigate against the financial implications in yields from Business Rates may be reduced. Details of this are contained detailed later in the report.

LEVIES AND LIVERPOOL CITY REGION COMBINED AUTHORITY

3.46 There is a statutory requirement to agree the levies for 2019/20 before 14 February 2019 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.

3.47 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 1 February 2019. In

overall terms the Transport Levy reduces by 9.5% due to reductions in operating costs, use of alternative financing and the use of balances held by Merseytravel. The Wirral Levy for 2019/20 remains unchanged as a result.

3.48 The Merseyside Recycling & Waste Authority met on 1 February 2019 and agreed the Waste Levy for 2019/20. This required the use of £1.396m balances in order to support a 'cushioning' of the levy increase at 4.9% for the coming year. The increase for 2019/20 is higher than the anticipated 11.5% for 2019/20 and as a result the pressure has increased from £0.9m to £1.1m

3.49 The Waste Authority released the Waste Development Fund to constituent authorities during 2014/15. The use of this 'one-off' resource is subject to compliance with conditions set out in a Memorandum of Understanding. The Council Budget includes the release of £1 million to support waste service provision in 2019/20, however this in included within the MTFS to be repaid in 2021/22 on an annual basis to ensure they fund can be returned to its original level.

LEVEL OF GENERAL FUND BALANCES

3.50 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.

3.51 The Council has a statutory duty to determine the level of General Fund Balances and reserves it maintains before it decides on the level of Council Tax. The level of balances should be based on the Council's own specific circumstances. The financial future for the Council continues to be challenging and a number of major uncertainties remain. In determining the appropriate level of reserves, the Section 151 Officer has assessed a number of factors. This takes account of the strategic, operational and financial risk factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the guidance in this area).

Summary of the Assessed Level of General Fund Balances

	2018/19	2019/20
	£m	£m
Assessed at February 2018	10	10

£10m of general fund balances represents 3% of the Council's new revenue budget.

REVIEW OF RESERVES

3.52 Resources set-aside for specific purposes as reserves should be established and used in accordance with the purposes intended. The level of reserves have been reviewed annually and where there are no robust plans in place for the establishment and use of the reserve, these have been drawn down to support the 2019/20 budget.

3.53 The anticipated level of reserves as at the end of 2018/19 is around £47m. The main reserves that make up this amount are:

- Schools (only allowed to be used by schools) £13m
- Business Rates Equalisation £7m
- Insurance Fund for self-insurance £8m
- Waste Development Fund £2m
- Public Health and Better Care Fund £2.5m

ROBUSTNESS OF THE ESTIMATES

3.54 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.

3.55 Appendix 5 sets out the requirements and the actions taken by the Council in relation to the Robustness of both the Revenue Estimates and the Capital Programme. It contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

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. The Chief Financial Officer is required under Section 25 of the Local Government Act 2003 to produce a report on the robustness of the estimates made for the Council's Budget.

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

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

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

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

7.1 The financial position for 2019/20 is based on forecast amounts which are outside of Council control such as Government funding and the changing demand for services. A key risk is that any of these assumptions can change which is increasingly the case when projections are made over the medium term. This is mitigated by keeping the MTFS under, at least, an annual review.

7.2 Under the system of retained Business Rates Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to the safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the authority. These risks can be mitigated through a combination of the operation of the Collection Fund, General Fund Balances and a Business Rates Reserve.

7.3 The budget for 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.

7.4 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The approach adopted is to determine the level of General Fund balances as part of setting the Annual Budget. It is based on local circumstances having regard to an

assessment of risk. Both Grant Thornton (the Council's External Auditor) and CIPFA (the professional body) have issued guidance which supports the approach.

7.5 There is a risk that agreed changes will not be delivered or that increasing pressures will be faced by services, particularly those that are demand led services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2019/20 preparation has included an assessment of the level of General Fund Balances.

7.6 The 2019/20 budget is supported by the use of one off funding from the use of balances, capital receipts and reserves. Whilst this approach can be adopted it does present a risk in that this action is only a temporary solution. The challenge associated with the use of one off funding is the requirement to develop budget reductions across the Council or additional income. While work has been started on future years further efforts are required with the development of the MTFS planning process to meet the challenges of replacing the one off funding with permanent solutions. This can be mitigated by the earlier delivery of the proposals emanating from the Transformation Programme.

7.7 The Robustness Statement required under Section 25 of the LGA gives an assurance regarding the deliverability and sustainability of the Estimates as well as the adequacy of the level of reserves and balances. This is set out in Appendix 5.

8.0 ENGAGEMENT/CONSULTATION

8.1 Following Cabinet on 26 November 2018 the required consultation and engagement with residents, partners and stakeholders where required has been undertaken. The details of responses can be found at Appendix 2. This included the Overview and Scrutiny Committees and a report on the outcomes is on this Cabinet agenda.

8.2 The Council also worked with staff and Trade Unions to ensure obligations in relation to statutory staff consultation is delivered appropriately and within agreed guidelines.

8.3 Where legally required to undertake a more formal consultation in respect of individual options then this more specific consultation will be carried out.

9.0 EQUALITIES IMPLICATIONS

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

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APPENDICES

Appendix 1 Medium Term Financial Strategy 2019/2023
Appendix 2 Budget 2019/20: Consultation Findings
Appendix 3 Fees and Charges 2019/20
Appendix 4 Discretionary Rate Relief Policy for Business Rates for 2019/20
Appendix 5 Chief Financial Officer Statement (Robustness of Estimates)

REFERENCE MATERIAL

Council Budget 2018/19.

Local Government Finance Settlement 2019/20 Provisional issued by the Ministry of
Housing, Communities and Local Government– 16 December 2019
Section 25 Local Government Act 2003.

SUBJECT HISTORY

Council Meeting	Date
Council Cabinet Medium Term Financial Strategy Medium Term Financial Strategy and Budget 2019/20 Budget Decision Council – 5 March 2018 Procedure and Rules Council Tax Base 2018/19	 5 March 2018 16 July 2018

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APPENDIX 1

MEDIUM TERM FINANCIAL AND RESILENCE STRATEGY

2019/20-2022/23

MEDIUM TERM FINANCIAL AND RESILENCE STRATEGY

Summary

The Wirral Plan sets a clear direction for the Council: investment should be allocated to the agreed priority areas and budget proposals that meet the themes of the Wirral Plan:

PEOPLE	Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.
BUSINESS	Wirral is a place where employers want to invest and businesses thrive.
ENVIRONMENT	Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

The financial proposals in this Medium Term Financial Strategy aims to keep Wirral balancing its budget across the next four years and successfully planning for a financial resilience future. Its strategy is to focus the available funds on priority areas and balance budgets by 2022/23.

The strategy focuses on the improvement of Wirral residents' lives by investing in key public services. It also recognises the need to do three things across the period:

- Boosting economic growth and diversification, essential for creating the jobs and income we need to pay for services.
- Creating Wealth for the many
- Being More Efficient

Since austerity started in 2010, through the Medium Term Financial Strategy, successive budgets and service reform and reconfiguration - millions has been taken out of directorate budgets.

We have developed a budget which is balanced, sustainable and legal:

- ✓ We are making no compulsory redundancies
- ✓ We have absorbed huge cuts to our funding without closing services
- ✓ We have secured major investment in services for vulnerable children and families
- ✓ We challenge every pound which we spend, to make sure it's delivering the best value.

Introduction

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

The MTFS has two main elements:

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

The MTFS covers a 4 year period detailing anticipated funding and assumptions on spending. Our challenge for 2019/20 and beyond is to deliver our 20 pledges by generating income to replace our lost government funding.

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

Over the next 4 years we anticipate rising costs (inflation) and demand for services alongside reduced central government funding that will result in a budget gap of £45m in 2019/20 rising to £67m by 2022/23.

From 2020 there is an expectation that we will be self-funding, as a result of our final grant reductions of £9m in 2019/20 and £18m in 2020/21. We have already saved over £100m since 2010 so finding further efficiencies and savings without a significant impact on services is impossible.

To enable financial sustainability from 2020 requires a shift in the way services are funded and this will be achieved via a medium to long term programme of income, investment and growth.

Over the period the Council will achieve the following through income, investment and growth.

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

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

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

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

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

HOW WE'VE DONE IT

ETHICAL INVESTING

WHY IT'S IMPORTANT	PROOF IT WORKS
We've got two choices: cut services, and staff, or make the money to pay for them	WGC is bringing £5m+ to the Council next year, before a brick has even been laid, and £50m+ over the next decade
We're replacing the money we've lost with money we can make ourselves – we're doing it with a social conscience	We are selling old sites which we do not need any more to make money to fund services (£5m+ in two years)
We're investing in projects which bring us a surplus, and also put money into the pockets of local businesses and people	Over the next year, we'll add more than £10m to the local economy through Community Wealth Building

To enable us to continue to provide vital services to the most vulnerable, we need to find a way to replace the funding that has been cut and to do that we can generate income. We are confident in our commercial approach to generating income and have a robust and ambitious plan to regenerate the borough to deliver jobs, economic growth and income. Over the next decade the Wirral Growth Company will generate over £50m in income, with over £5m being received in 2019/20. This will enable us to continue to provide services, including non-statutory services to our communities for the future.

2019/20 will be a key year for our Community Wealth Building Strategy. Working with our anchor institutions we will be able to map our local spend and increase our local targets to ensure more of the wealth is kept within the borough. The strategy encompasses many stages and an important part of the strategy will be the opportunity to keep skills and jobs within the borough. Working with our partners we can determine whether we have adequate policies and procedures in place to ensure there is opportunity for our workers to progress within organisations to enable them to remain in work in the borough. This stems right from early opportunities within schools and latterly Wirral Met College to enable the right subjects and courses to be available for our young people to become trained in a skill where jobs are available.

Assets will feature heavily within the strategy as the Council can provide opportunities for communities in the use of its assets. Many of the assets are under utilised so providing opportunities for communities to use these in a more effective and efficient way will support communities to work together and enable local entrepreneurs.

BETTER VALUE

WHY IT'S IMPORTANT	PROOF IT WORKS
We've absorbed huge increases in demand for services, and absorbed massive cuts	We've invested £20m into services for children. No other Council in the country can say that.
We've lost 35% of our workforce over the past decade, but we haven't closed services	Children's services are quickly improving, with consistent praise from Ofsted. It's working.
We are keeping things going. It's not easy, we are squeezing every penny of value out of the money we have left	Protecting these services, investing in what is most important, would be impossible without generating revenue.

Through the Children & Families improvement programme the Directorate has been able to 'pay back' some of the investment funding agreed in 2017. This has been enabled by smarter and more efficient working practices, a department restructure that provide more clarity and leadership and rollout of the Worksmart project so that Children's staff are enabled to work anywhere in the borough at anytime that suits their work-life balance.

The Integration of Adult Care and Health Services alongside the CCG and trusted providers has enabled much better value to be drawn of out of services provided to the most vulnerable. The transfer of Adult Social Care Social Workers has meant that where people receiving care services previously received two visits from staff each from the Council and the NHS where they had to tell their story twice, now only receive one visit where they are able to tell their story about all their health and social care needs once. As a result of this integration, the Council is able to mitigate demand pressures of £22.1m over the four year medium term financial horizon.

Over the past decade, our workforce had reduced by 35%. We do not provide services in the same way we used to ten years ago, and nor should we, our customers are demanding different ways of interacting with the Council, some of whom do not require any human contact to enable them to do their businesses with us. Digitalisation has and continues to play a major part in providing better value for Council services. Over the past decade we have digitised as much as we can making the customer journey much smoother to enquire, book, pay and report things to the Council. As a result we do not need as many staff and this had enabled us to make significant savings and efficiencies in these areas.

BETTER SERVICES

WHY IT'S IMPORTANT	PROOF IT WORKS
Joining up our services improves them for people. They just work with one person, one service, to get the help they need	A 30% reduction in youth offending, through the Safer Wirral Hub
It protects public services, making them stronger and more able to withstand national cuts and meet local needs	The highest-ever rate of disabled people in employment, through our social care – NHS services
Wirral's public services are now the most joined up in the country	More than 3500 jobs created through supporting the private sector with our Chamber partnership

Every department is doing its bit by reprioritising, finding efficiencies, making sure the Council is working as well as it can for the areas long term future. As part of our reforming services programme, we aim to review all of the Council's 200+ services on a rolling basis. This will be done by:

- Testing whether each service is providing value for money for its customers
- Benchmarking costs against our nearest neighbours to determine whether we are the cheapest at providing the service that we can be
- Using insight and intelligence to predict what the service use requirements are over the long term, to ensure where we redesign a service that it is fit for the future
- Asking customers what they think about the service and whether they value it and it is important to them
- Considering whether to divest in the service where it is not meeting customer needs or providing value for money
- Considering whether the service should be provided in alternative way and/or by an alternative provider

Partnering with other organisations enables us to provide the right services in the right way as providing better services is no about the organisations we work for, it is about the communities we serve.

Financial Challenges

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

MTFS Financial Influences

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

The biggest influence on the Council's budget is the continuation of reductions in government grant funding and the move towards self-funding by all Councils. The business rates retention scheme (BRRS) introduced in 2013–14 has allowed councils to retain up to 50% of the real-terms growth in local business rates revenues and bear up to 50% of any real-terms falls.

The government has announced plans to increase this share to 75% by 2020/21 and continues to expand a series of pilots of 100% retention in some areas of the country including the Liverpool City Region. The aim of these reforms is to provide stronger financial incentives for councils to boost local economies and tackle the underlying drivers of spending need. However, changes may see a potential for councils' income resources to diverge from their spending needs across the England. There is a risk that affluent areas with potential to raise more income may benefit whilst poorer areas suffer. This is currently being examined by the Government as part of the Fair Funding Review.

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

The outcome of the review is anticipated to have a major impact on the distribution of funding between Councils in England. The consultation paper is a key part of the development of a new funding formula that will ultimately assess spending needs and available resources in every Council. Few details of the likely impact on Wirral are known but will be fed into future updates of the financial projection from 2020/21.

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

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

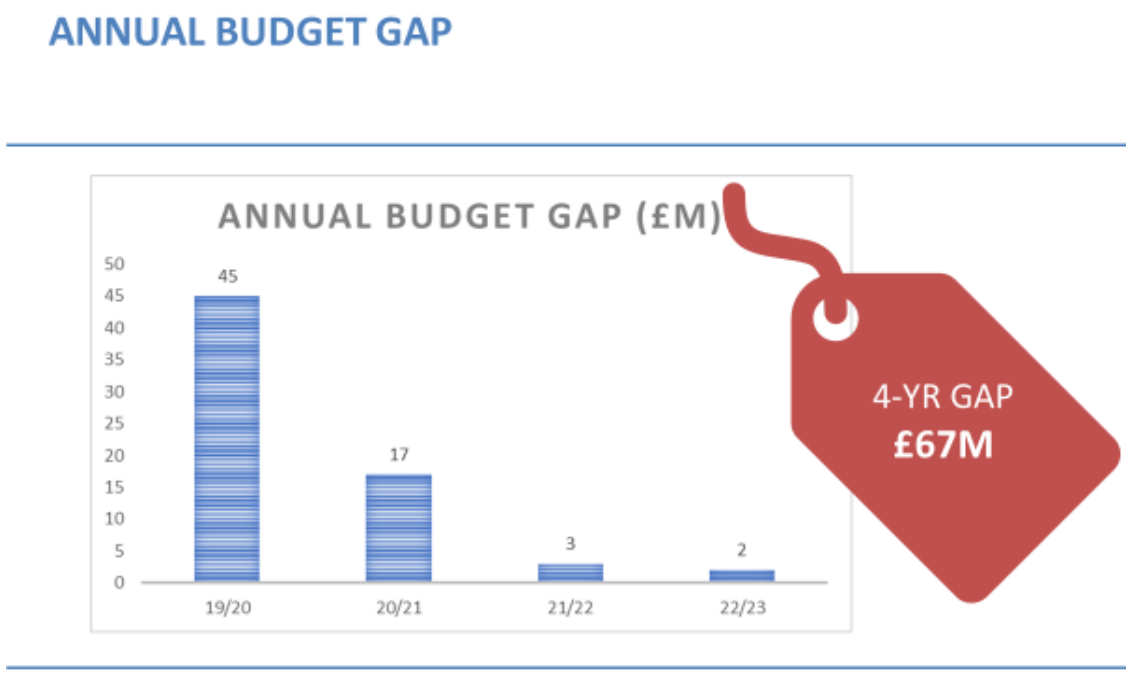
The inflationary challenges are one element of the financial pressures faced. The on-going rise in demand led pressures for social care both in Children's Services and Adults adds to the financial challenges faced by the Council. There are also other unavoidable increases such as levy changes and pension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

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

The Government announced in December 2015 the key components of the Council's funding for the period up to 2019/20. Through Wirral's acceptance of the four year settlement deal these levels are confirmed for three years. This does and has provided some assurance around funding and enables financial planning to be clearer. There does however remain uncertainty beyond 2019/20 until 2022/23.

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

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



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

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

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

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

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

Addressing the Challenges

Since 2010, Wirral has delivered a programme of savings and increased income in response to financial pressures and cuts to government funding. The response over recent years has been to find solutions through efficiencies, a number of innovations and transformation plus raising more income. The use of one off funding in 2018/19 means that the period 2019/20-2022/23 represents a new challenge and to respond requires a reset to the Medium Term Financial Strategy.

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

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

Our MTFS approaches 2019/20-2022/23

Increasing Income Generated Locally

The future for local government finances is one in which Councils aim to be financially self-sufficient. This means that Wirral has to plan to establish a strong and buoyant tax base and other sources of direct income. This will result in more the income that will protect services. Achieving sustained economic growth in Wirral will be a key driver of income generation. However this is not an end in itself but provides benefits of greater wellbeing, inclusion and a sharing of prosperity. The Council will provide the tools to encourage local regeneration leading to jobs and growth.

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

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

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

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

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

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

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

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

3. **For our commercial strategy this will mean:**

   - The introduction of new income sources through charges and trading, for example with local businesses.

- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by others for similar services.
- Ensure the fees and charges are recognised as a key and increasingly important part of the financial resources of the Council.

4. For our Treasury Management this will mean:

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

5. For Economic Growth this will mean:

- Income into the Council through regeneration of the borough by the Wirral Growth Company
- An increase in economic growth through major new investment generating income from rental agreements
- Keeping the wealth within the borough as part of the Community Wealth Building programme to ensure opportunities are available for local people to live, work and shop in their local area

Reducing Costs

A major element of the Councils response to the financial challenges it faces is to reduce costs. The main ways of this being implemented is detailed in the next two sections:

Getting the Basics Right

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

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

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

The aim across the period 2019 - 2023 is to:

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

Managing Demand

One of the approaches to managing the pressures of inevitable increased demand is to use policies and service delivery models that reduce avoidable demand. By reducing demand the Council can focus on prevention and hear help measures to ensure that residents received a better service and experience. Our approaches to managing demand are detailed below.

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

Wirral Together is a collaborative approach to focus on community and partnership based approach to a sustainable future.

Investment in Services

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

PEOPLE	Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.
BUSINESS	Wirral is a place where employers want to invest and businesses thrive.
ENVIRONMENT	Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

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

A key areas for investment is Adult Social Care and Children's Services.

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

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

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

Wirral Response to the financial challenges

The increasing deficit to 2023 coupled with the ability of the Council to continue to get "the same for less" will become increasingly difficult and the emphasis for future years will be on the challenging services the Council continues to fund, integrating with partner organisation to get focus on the overall "public purse" and ensuring that efficient ways of working is at the heart of the organisation. To be successful, the Council will call on all Wirral residents to play their part for example in playing an active role in the community and supporting local shops and businesses.

The Council's Strategic response to the funding gap is as follows:

- Increasing Income Generated Locally
- Reducing Costs: Getting the Basics Right

- Reducing Costs: Managing Demand

FINANCIAL PROPOSALS 2019/20 – 2022/23

The MTFS focus is on building the foundations for a sustainable financial future with sufficient support for services and describes how to provide the funding and services so that residents receive the support for their lives and communities.

The MTFS and the 2019/20 Budget is the next step in resolving the financial challenges we face and moving to a more self-sufficient funding position. Maintaining business as usual whilst reforming services and regenerating the local economy will be the future focus to target our resources. Establishing the correct baseline to do this is an essential component of our delivery and the MTFS sets out how we plan to do this in line with our financial principles. It details the financial remit within which the Wirral Plan directs all services up to 2023.

The table below lists the summary financial proposals identified as part of the 2019/20 budget process to balance the 2019/20 budget. The detailed proposals can be found in Appendix A

TOTAL PROPOSALS BY PORTFOLIO	**19/20 £m**
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to national funding	3.25
Total	**45.00**

These proposals have been consulted on following agreement from Cabinet in November 2018. They will be recommended to Full Council in March as balancing the budget for 2019/20.

Over the medium term a gap still presents to 2022/23. In the absence of any known future funding from government until this autumn in response to the fair funding review, proposals have been suggested to balance the four year funding gap. At this stage these proposals are in draft. Over the next 12 months they will be worked up as part of the continual budget process and be subject to scrutiny and challenge as part of the Star Chamber process. This will enable the proposals to be assessed for their acceptability, feasibility and deliverability before undertaking any necessary consultation (if required) and being agreed by Cabinet to go forward for implementation to balance the four year budget gap.

The four year proposals are as follows:

	2019/20	2020/21	2021/22	2023/23
	£m	£m	£m	£m
4 year Budget Gap	**45**	**17**	**3**	**2**
19/20 Budget Options in 3.14	(45)			
Review of commissioned services		(3.5)		
Children & Families Innovation Programme		(2.0)	(1.0)	
Review assumptions for pressures		(1.5)		
Income Generation		(3.0)	(1.0)	(1.0)
Depot Supersite		(0.5)		
Reforming Services Programme		(1.0)	(1.0)	(1.0)
Contract Review Year 2		(3.5)		
One-off invest to save funding		(2.0)		
Revised budget gap	**0**	**0**	**0**	**0**

Conclusion and Next Steps

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

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

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

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

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

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

APPENDIX A

2019/20 BUDGET SAVINGS PROPOSALS

HIGHWAYS & TRANSPORT	19/20 £m
Assisted Travel Procurement	0.12
Street Lighting LED savings	0.05
Total Highways & Transport	**0.17**

JOBS & GROWTH	19/20 £m
Neptune development Capital Receipt	4.00
Benefits of Economic Regeneration	4.15
Total Jobs & Growth	**8.33**

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

CHILDREN & FAMILIES	19/20 £m
Special Guardianship means tested	0.80
Reduced Agency	1.00
Troubled Families Earned Autonomy funding	0.60
Business Support Saving	0.40
Looked After Children reduced numbers	0.40
Childrens restructure	0.50
Remove Golden Hellos	0.20
Total Children & Families	**3.90**

ADULT CARE & HEALTH	19/20 £m
LD Transformation Programme - Year 3	2.00
Mitigating Adult Social Care demand through maximising independence and wellbeing	5.80
Use of grant funding	0.85
Total Adult Care & Health	**8.65**

FINANCE & RESOURCES	19/20 £m
Treasury green investments	2.00
Contract review	1.50
Increase Council Tax Collection Rate	0.50
Capitalisation of salaries	0.15
Fees & Charges	1.00
Senior Manager and back office savings	1.90
Centralising IT	0.18
Asset sales Capital Receipts	1.50
Supplies & Services holiday	2.50
One off reserves	2.00
Reducing Agency/Interims/Consultants (non-Children's)	1.00
Service Review Programme	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 golf courses	0.80
Expert operator for Floral Pavilion	2.05
Total Leisure and Recreation Services	**2.95**

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

TOTAL PROPOSALS BY PORTFOLIO	19/20 £m
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to national funding	3.25
Total	**45.00**

2019/20 BUDGET PRESSURES

JOBS & GROWTH	19/20 £m
Neptune development Income	(0.20)
Total Jobs & Growth	**(0.20)**

ENVIRONMENT	19/20 £m
Service demand from new Housing	(0.05)
Waste contract inflation and pressures	(0.70)
Levies	(1.10)
Total Environment	**(1.85)**

CHILDREN & FAMILIES	19/20 £m
Ganneys Meadow and Leasowe Nursery School	(0.20)
Top up of RAA funding	(0.25)
Investment in Pause Scheme	(0.65)
Total Children & Families	**(1.10)**

ADULT CARE & HEALTH	19/20 £m
Demand and inflationary pressures	(6.30)
Total Adult Care & Health	**(6.30)**

FINANCE & RESOURCES	19/20 £m
Pay and Pensions inflation	(3.85)
Capital financing costs	(1.50)
Kingsway Academy PFI Costs	(0.35)
Total Finance and Resources	**(5.70)**

LEISURE AND RECREATION SERVICES	19/20 £m
Woodchurch new opening hours	(0.30)
Coastal car parking charges removed	(0.25)
Total Leisure and Recreation Services	**(0.55)**

TOTAL PRESSURES BY PORTFOLIO	19/20 £m
Jobs & Growth	(0.20)
Environment	(1.85)
Children & Families	(1.10)
Adult Care & Health	(6.30)
Finance & Resources	(5.70)
Leisure and Recreation	(0.55)
Total	**(15.70)**

MEDIUM TERM FINANCIAL STRATEGY 2019/20-2022/23 –

A sustainable financial strategy to support our 20 Pledges

Financial Resilience Plan

Financial Resilience Plan: Management of Expenditure and Income

Introduction

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

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

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

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

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

Financial Resilience

Financial Resilience is a key part of the MTFS to 2023. This is for the following reasons:

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

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

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

    - Short term financial planning. The budget for 2018/19 was for one year only, rather than across a wider MTFS timeframe. There has been

limited planning for future years savings and increased additional income.

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

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

Vision for Wirral and its Finances

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

Within this context the MTFS and the annual budget will continue to prioritise the themes and pledges made in the Wirral Plan and will protect those services for the most needy and vulnerable. Reductions in central government funding will continue. The future for local government finance is for all Councils to be self-sustaining. This means that the Council needs to plan for a resilient budget that includes strong income sources to protect key services to our residents.

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

- A balanced four year budget agreed annually.

- Growing and diversifying income generation in the area in a sustainable way.

- Maximisation of returns from Council investments within a prudent approach.

- Maintaining investment in key services and outcomes that support the Wirral Plan 20 Pledges.

- Maintenance of the right level of earmarked reserves and general fund balances to protect Council services and mitigate against future risks.

- A four year capital programme aligned to achieving the outcomes in the Wirral Plan and the maximisation of invest to save opportunities.

- Maximisation of income generation and collection.

- Using best practice financial management approaches and control of Council budgets.

- Minimisation of fraud and corruption.

- Fit for purpose annual accounts.

Across the MTFS period the Council will continually review and improve its financial resilience to ensure it can demonstrate long-term financial sustainability and the achievement what it is seeking to accomplish over the period. The approach to Financial Resilience has 4 elements being the 4 elements for financial resilience:

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

The key areas for development over the period are as follows:

- The future delivery of the Medium Term Financial Strategy and annual budgets within the period are dependent on changing the existing culture within the Council.
- Members and senior officials setting a tone that financial discipline is important.
- Focusing the finite resources of finance and audit on the key areas of financial risk.
- Further developing enablers that provide effective financial management. This includes Budget Holder Training, improving Management Information availability, modernising the financial management system and embedding the Financial Business Partner structure.

General Fund Balances and Earmarked Reserves

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

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

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

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

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

General Fund Balances

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

The setting and justification of General Fund balances is part of the Council Medium Term Financial Strategy. It is crucial the Council has sufficient balances, and earmarked reserves, to maintain financial standing and resilience. For local authorities there is no statutory minimum level and it is for each Council to take a view on the required level having regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.

CIPFA state that the financial risks should be assessed in the context of the Council's overall approach to risk management. In its paper "Local Authority Reserves and Balances" the following factors are relevant to determining the level of balances.

- The treatment of inflation and interest rates.
- The treatment of demand led pressures.
- The treatment of planned efficiency savings/productivity gains.
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.

- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject.

In determining the appropriate level of balances, the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council considers the main risks and uncertainties including:

- Legislative changes
- Inflation
- Grants and Partnerships
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims
- Energy Security and Resilience

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

This has been Wirral Council's approach since November 2012 and is reviewed in line with CIPFA guidance. A consideration of the risks and the financial circumstances that might be faced by Wirral for 2018/19 has been made. The risk factors used in the Council's assessment are like those recommended by CIPFA guidance.

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

	2019/20	2018/19
Assessed Minimum Level of Balances	£10.0m	£10.0m

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

Earmarked Reserves

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

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

A robust reserves strategy is a key part of the financial resilience of the Council and provides the first line of defence underpinning the statutory requirement to set an annually balanced budget. Adequate reserve levels help prevent local authorities from overcommitting themselves financially, mitigate against risk and provide organisational stability in the event of unanticipated, unforeseen or emergency spending being required. An assessment of the adequacy of reserves is a key statutory requirement to be undertaken at least annually.

The Council in recent years has increasingly relied on reserves in balancing the budget and in meeting service related financial demands. Actual general fund and earmarked reserves have reduced by £20m between 31 March 2014 and 31 March 2017, representing a 20% reduction. Looking forward, reserves are forecast to reduce further to £8m by 31 March 2019.

The experience at Wirral is common to other Councils. A recent Study by the Office of Budget Responsibility contained details of the level of local authority reserves since 2010/11. This showed that in period 2015/16 and 2016/17, English local authorities drew down from their stock of reserves by £0.4 and £1.5 billion respectively. This reversed the build-up of reserves from 2010, which saw them rise by an average of just under £2 billion a year between 2010/11 and 2014/15.

Monitoring and Management

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

- Ensure the General Fund Balances are set at a reasonable level- this is the Councils ‘last line of defence’ should unforeseen financial difficulties emerge;

- Compliance against this benchmark is monitored on a regular basis and reported to Members through the revenue budget monitor.

Risk

Risk is an integral part of financial resilience and is embedded in all that we do. To enable the Council to monitor its financial resilience it needs to take an assessment of risk across all activities to ensure that where corporate risks have been identified that these are being mitigated and monitored on a regular basis. The Council's Corporate Risk Register has been reviewed and updated and is included at Annexe A.

Summary

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

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

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

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Corporate Risk Register 28/01/2019

(including draft scores)

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)			
Finance and Resources	1	**Financial Resilience**	5	5	25	Paul Satoor	Refreshed Medium Term Financial Plan	Shaer Halewood	3	5	15	Consideration of the most appropriate delivery models	Tim Games	ongoing programme
							New budget setting process	Shaer Halewood				Establishment of a Commercial Strategy	Nicki Butterworth	Nov-18
2018/19 Priority Strategic Long Term Financial Plan for Wirral		Failure to effectively manage changes to the way that the Council is funded could lead to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the Council being unable to deliver priority services to vulnerable communities					Robust and rigorous monitoring of budgets and savings plans in year	Shaer Halewood				An MTFS based on investment and income generation - Wirral Together	Daniel Kirwan	Feb-19
							Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable	Shaer Halewood				Community Wealth Building programme to keep wealth in the Borough	Shaer Halewood	Jan-19
							Delivery of Investment Strategy	Shaer Halewood				Delivery of business growth plans through Wirral Chamber of Commerce	Alan Evans	ongoing programme
							New Business Case scoring grid to ensure all business cases are agreed as robust before begin released	Shaer Halewood				Refreshed 'Use of Reserves' policy to reduce reliance on reserves through a phased approach	Shaer Halewood	Feb-19
Adult Care and Health	2	**Demand Management**	5	4	20	Graham Hodkinson	Better Care Fund investment in re-ablement services	Graham Hodkinson	4	4	16	Introduction of Capped Expenditure Programme by the Wirral Health & Care Commission	Graham Hodkinson	2019/20
2018/19 Priority Improve Health & Wellbeing by Joining Up Services for Residents		Failure to improve the quality of health and care services through integrated commissioning and delivery arrangements, could lead to demand continuing to increase, leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need					Two key contracts with social care providers have built in demand management	Jason Oxley				Implementation of the Wirral Together Strategy	Rachel Musgrave	2019/20
							Services partly integrated with partners with a section 75 agreement for most services	Graham Hodkinson						
												Implementation of Healthy Wirral Strategy	Simon Banks	from April 2018
Jobs and Growth	3	**Exposure to Economic and Market Risk**	3	5	15	Paul Satoor	Robust financial modelling on business cases	Shaer Halewood	2	5	10	Ensure clarity over the Council approach and appetite to risk management.	Shaer Halewood	Feb-19
							Long-term strategic master plan that phases the Council's approach to economic growth	Alan Evans				Introduce a greater degree of resilience to economic and market changes	Daniel Kirwan	Feb 2019 and ongoing
		The aggregate level of risk presented by multiple regeneration projects is not recognised, leaving the Council over-exposed in the event of a downturn in the economy and/or markets					Monitoring the national and local economic climate to ensure that up/downturns can be forecast and planned for.	Nancy Clarkson				Improve horizon scanning (review of current/forecast economic data)	Nancy Clarkson	for Apr 2019
2018/19 Priority Strategic Long Term Financial Plan for Wirral												Collaborative approach with LCR over the use of SIF funding to mitigate against full council risk on economic growth projects	Alan Evans	March 2019 bids
												Undertake analysis of the aggregate exposure to risk	Shaer Halewood	Feb 2019 and ongoing
Leader	4	**Employee Engagement & Capacity for Change**	4	4	16	Paul Satoor	People Strategy & OD plan *(attracting and retaining talent leadership, values behaviours and performance, embracing change, workplace wellbeing)*	Nikki Boardman	4	4	16	Behavioural framework and Talent Management Programme	Samantha Jones	Mar-19
		There is a risk that insufficient capacity or expertise, cultural resistance from staff or ineffective engagement with partners means that the ambition of the Wirral Plan is not realised, perpetuating inefficiencies and preventing required outcomes from being achieved					Health and wellbeing strategy	Nikki Boardman				Ensure clarity over the skills that are needed for the future	Nicky Boardman	Dec-19
							Staff engagement sessions	Nikki Boardman				Further improve managers' ability to address under-performance	Nicky Boardman	Ongoing programme
Housing and Planning	5	**Local Plan**	4	5	20	Paul Satoor	Programme management approach to Local Plan implementation	Tim Games	4	5	20	Conduct green belt review	David Ball	Determined by Plan process
		A failure to ensure the Council's arrangments for the consultation, publication and implementation of the Local Plan could result in intervention, a loss of control over future development and missed opportunities to promote economic growth.					Council has an agreed timeline for production of the Local Plan	David Ball				Consultation process for the Local Plan	David Ball	From Sep 2018
							Recruitment of additional capacity to Forward Planning Team	David Ball				Further administrative support provided to the Forward Planning Team to assist with Local Plan	David Ball	Feb 2019 and ongoing
2018/19 Priority Local Plan							LGA support	David Ball						
							Weekly 'touch base' meetings	David Ball						
							Engagement with land owners and developers	David Ball						

Corporate Risk Register 28/01/2019

(including draft scores)

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)			
Leader	6	**Partnership Working**	4	4	16	Fiona Johnstone	LCR Leaders and CX Groups	Rose Boylan	3	4	12	Joint programme of meetings with Cheshire West & Chester established	Nicki Butterworth	Dec 18 and ongoing
		Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position					Officer cross LCR working	Rose Boylan				Liaison with Warrington Council to share mutual work and seeks best	Nicki Butterworth	Jan 19 and ongoing
							The Wirral Partnership	Fiona Johnstone				Membership of CCIN to gain access to network of partners	Nicki Butterworth	Feb 2019 and ongoing
							Integration of health and social care	Graham Hodkinson						
							Delivery of Investment Strategy / access to Single Investment Fund	Alan Evans						
Leader	7	**Governance**	4	4	16	Paul Satoor	Internal governance procedures (DMT, Leadership, SLT, Call over Board, Cabinet/SLT, portfolio holder briefings)	Phil McCourt	3	4	12	Complete the review of the Constitution	Phil McCourt	Apr-19
		Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council					Council Constitution	Phil McCourt				Implement the new Scheme of Delegation	Shaer Halewood	March 2019 bids
							Code of Corporate Governance	Phil McCourt				Deliver Member development sessions	Phil McCourt	Apr 2019 and ongoing
							Member / Officer Protocol	Phil McCourt				Establish Chief Executive's office	David Armstrong	Apr-19
2018/19 Priority Strategic Long Term Financial Plan for Wirral							Corporate Policies (e.g. Whistleblowing)	Phil McCourt						
							Ethical Framework for Members	Phil McCourt						
							Oversight provided by Corporate Governance Group	Phil McCourt						
							Annual Governance Statement process	Phil McCourt						
Jobs and Growth	8	**Brexit**	5	5	25	Fiona Johnstone	Maximising extensions for remainder of EU Funding programmes and engagement in negotiations for replacement/aternative	Alan Evans	5	5	25	Monitor the international and national financial climate and to include any potential negative financial impact in the MTFS	Shaer Halewood	Apr 2019 and ongoing
2018/19 Priority Creating Jobs, Driving Regeneration		Uncertainty caused by Brexit adversely affects public and market confidence, impacting demand for housing and the level of inward investment in the borough. Other Brexit implications e.g. lack of workers available for care type work; withdrawal and/or reduction in external funds impacts ability to sustain investment in local programmes					Identification and evaluation of potential implications and development of strategic responses.	Rose Boylan				Take legal advice on the impact of any changes to legislation affecting the council	Phil McCourt	As and when agreed
							Identificaiton of opportunities as arising from Brexit that can be capitalised on	Rose Boylan				Delivery of Brexit Action Plan	Rose Boylan	Quarterly
Adult Care and Health Children and Families	9	**Upstream / Preventative Activity**	4	4	16	Fiona Johnstone / Graham Hodkinson / Paul Boyce	Health and Social Care Integration	Jacqui Evans	4	4	16			
		Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing.					Delivery of Ofsted Action Plan	Carly Brown						
							Public Health Commissioning	Julie Webster						
Jobs and Growth	10	**Wirral Growth Company**	4	5	20	Paul Satoor	Weekly programme management meetings.	Sian Hartley	3	5	15			
2018/19 Priority Creating Jobs, Driving Regeneration		Failure of the Wirral Growth Company to deliver anticipated benefits undermines the Council budgetary position, economic growth aspirations and public and investor confidence in the authority.					Clearly documented legal framework and partnership agreement	Phil McCourt						
							Existing relationships and historic knowledge with Muse and partners	Paul Satoor						
							Fundng model	Shaer Halewood				Establishment of shareholder board	Phil McCourt	Apr-19

Corporate Risk Register 28/01/2019

(including draft scores)

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)			
Adult Care and Health and Children & Families	11	**Significant safeguarding incident**	4	4	16	Graham Hodkinson and Paul Boyce	Wirral Safeguarding Children Board (WSCB)	Simone White	3	4	12	New multi-agency safeguarding arrangements	Paul Boyce	Sep-19
		The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny					Children and Families Overview and Scrutiny Committee. Mitigation should include that relating to adults also	Simone White						
							Integrated WSCB and Improvement Board performance management arrangements	Simone White				National Child Safeguarding Review Panel	Paul Boyce	ongoing programme
Finance and Resources	12	**Business Continuity Planning**	2	4	8	Paul Satoor	Business Continuity Policy	Shaer Halewood	2	4	8			
		Failure to coordinate and maintain effective business continuity plans leaves the Council unable to respond to an incident, resulting in a major failure in service delivery					Compliance audits	Mark Niblock						
							BC Tests	Mark Camborne						
Finance and Resources	13	**Cyber Security**	5	5	25	Paul Satoor	Cyber Security Policy	Jeff Ashworth	2	5	10	Programme of migration from Windows 7 to Windows 10	Jeff Ashworth	Jan-20
		IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services.					Responsibility for Information' training	Sue Blevins						
							Weekly review of security incidents	Jeff Ashworth						
							New threats communicated to staff and Members	Jeff Ashworth						
							Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of downloading of unauthorised software	Jeff Ashworth						
							Implementation of 'patching' policy	Jeff Ashworth						
Environment	14	**Health & Safety Management**	3	4	12	Paul Satoor	Corporate health and safety policy	Andy McMillan	3	4	12			
		If health and safety / compliance policies and procedures are not sufficiently developed, tested or adhered to by officers, members or contractors, this could lead to an incident resulting in harm to employees / Members / members of the public, legal challenge and reputational damage					Implementation of health and safety management arrangements.	Andy McMillan						

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APPENDIX 2

BUDGET 2019/20: CONSULTATION FEEDBACK

1.0 SUMMARY

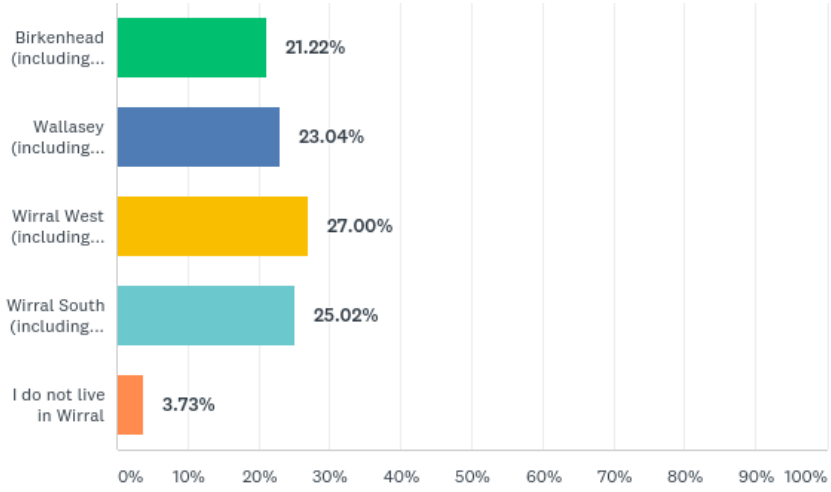
This report provides Members with an analysis of the feedback received from residents and council staff in relation to the council budget for 2019/20. The feedback includes:

- Results from the Budget Questionnaire
- Feedback relating to the budget proposals for municipal golf courses and the Floral Pavilion
- Data from the online budget simulator tool
- Feedback from residents and staff who attended a series of budget workshops during January 2019

Members are invited to take account of this feedback as part of the decision-making process for the 2019/20 budget and the Medium-Term Financial Strategy.

2.0 BUDGET QUESTIONNAIRE

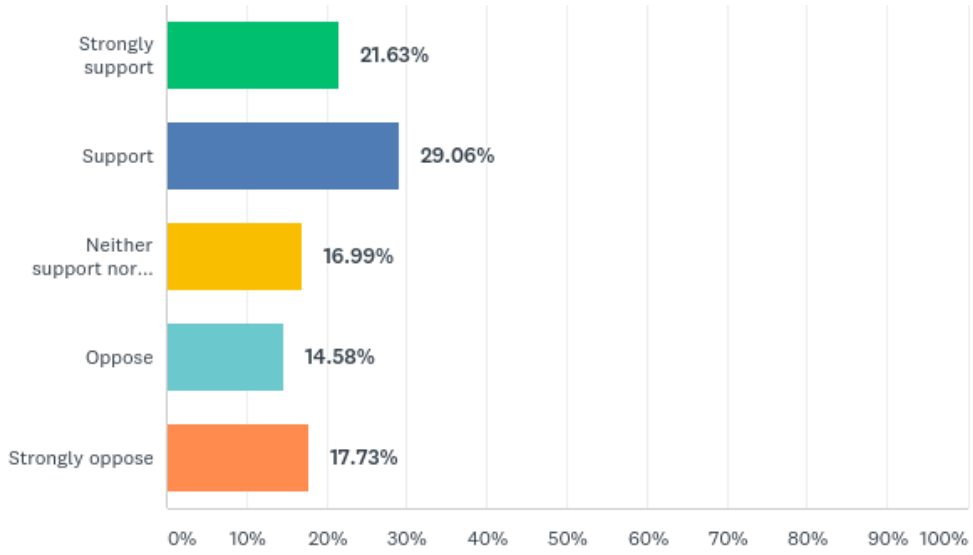
The budget questionnaire was made available to residents through local services, online, and through the local press, Wirral View and social media. A total of 1322 responses have been received. 93% of these responses came from people identifying themselves as Wirral residents. The geographic breakdown of responses is provided for Members in the chart below.



The consultation questionnaire then went on to gather views on a range of ideas and proposals which could generate financial savings. The feedback from these proposals are provided for Members in the charts below.

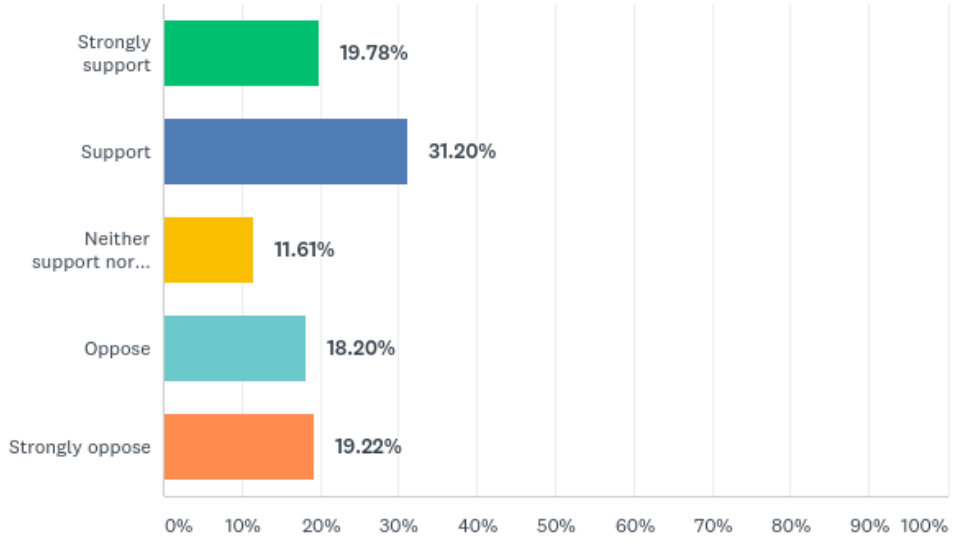
Proposal

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



Proposal

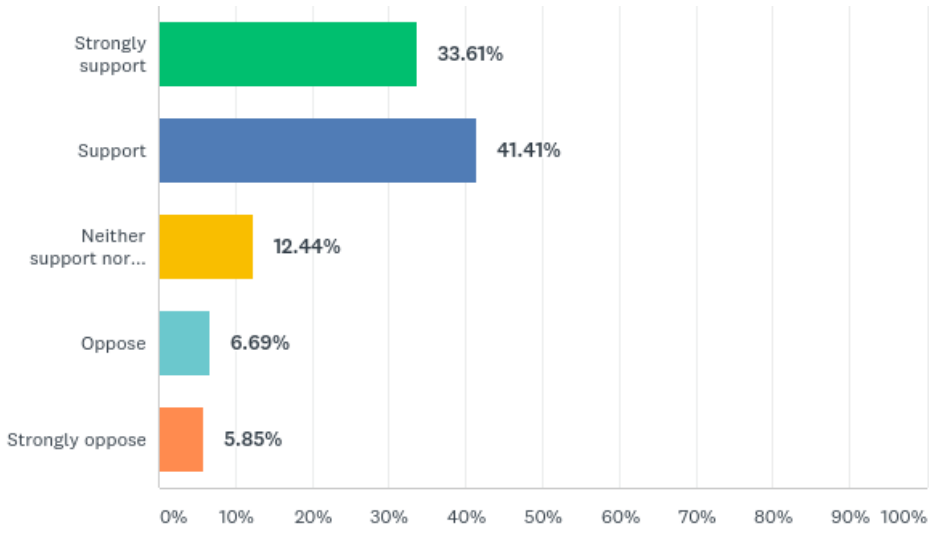
Provided the Council was still responsible for making sure the quality of services was high enough, would you support the Council paying someone else to deliver services, rather than delivering them itself?



Proposal

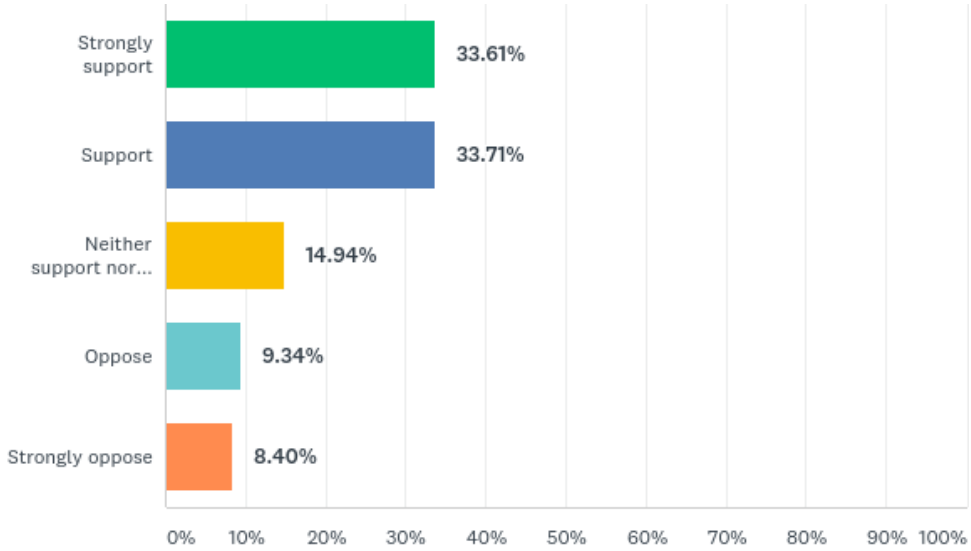
A number of Councils work together to provide joint services, which bring major cost savings. Wirral could work with Councils across Merseyside and

Cheshire to provide certain services this way. To what extent do you support or oppose this approach?



Proposal

The Council owns a large amount of land and buildings across Wirral, and could use this land to create jobs, drive growth in the economy and bring money into the Council to fund services. To what extent would you support or oppose this approach?

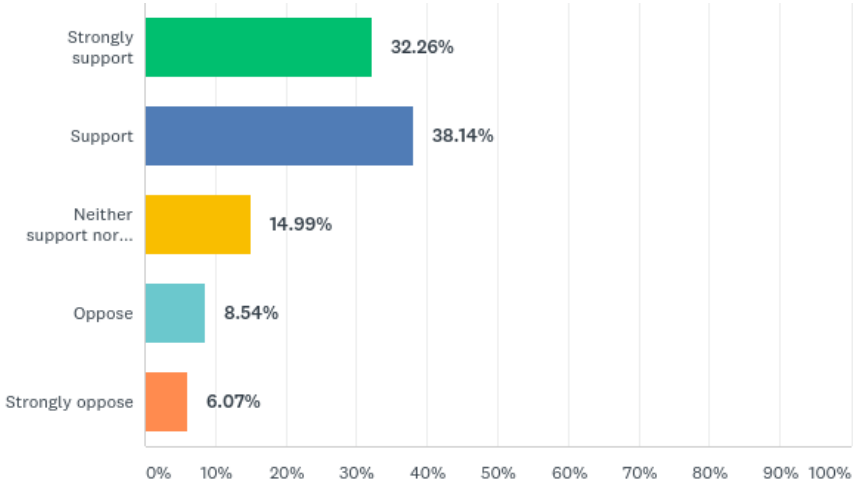


The budget questionnaire also provided residents with the opportunity to provide their views on the proposals regarding municipal golf courses and the Floral Pavilion.

The feedback on those two proposals is provided for Members in the charts below.

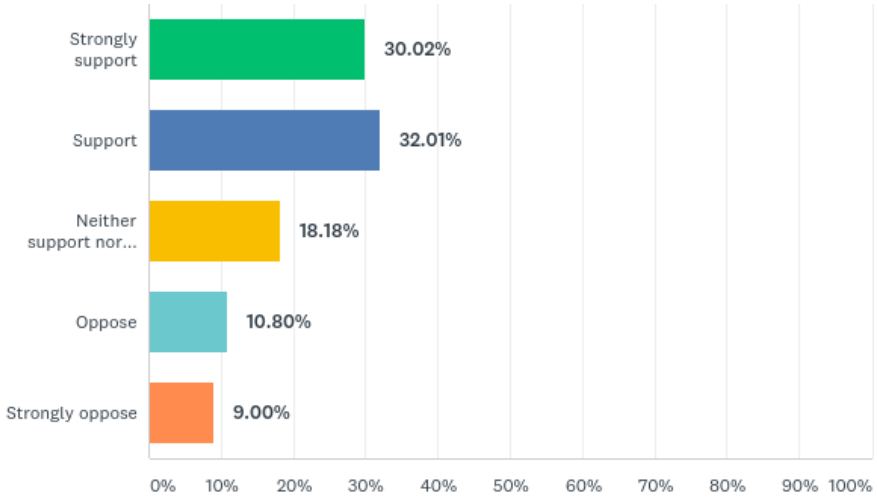
The Floral Pavilion

We are proposing to seek a specialist operator for the Floral Pavilion. Under this plan, the Floral would remain a theatre, it would still be owned by the Council, and there would be no staff redundancies, but a specialist theatre company would be asked to run it on our behalf – bringing in better shows, and providing a better service. To what extent would you support or oppose this option?



Municipal Golf Courses

Similarly, we are proposing to seek a specialist operator to run municipal golf courses. The golf courses would all remain as golf courses, they would still be owned by the Council, and there would be no staff redundancies, but we would ask an expert golf-company to take over the day-to-day management of the courses. To what extent would you support or oppose this option?



4.0 BUDGET SIMULATOR

The budget slider is a digital tool designed to improve public education regarding the complexities of Local Authority budget setting, as well as providing data illustrating views on certain council services.

The tool presents the current budget and current savings requirement, then asks the public to design a budget which satisfies them, broken down in the broad service areas, and includes opportunities to both cut costs, increase incomes and presents a likely outcome from changing the base budget for a service area.

The table below demonstrates the average financial movement residents proposed for each area of Council spend in order to achieve the £45m savings target.

The Average % Movement by Service

Social Care	
Children's Social Care	-7.27%
Early Help and Prevention	-9.18%
Adult Social Care	-9.00%
Infrastructure	
Housing	-20.73%
Highways and Traffic	-21.09%
Street Cleaning and Waste	-20.00%
Transport and Roads	-22.00%
Planning and Building	-22.18%
Cultural Services	-22.55%
Communities	
Libraries	-20.18%
Licensing, Trading Standards and Environmental Health	-18.91%
Parks and Open Spaces	-15.82%
Safer Communities	-19.82%
Sports and Leisure	-19.27%
Youth Services and Youth Offending	-19.09%
Community Services	-18.91%
Running the Council	
One Stop Shops	-23.82%
Corporate Services	-26.55%
Economic Growth	
Development of Local Economy	-21.45%
Fees and Charges	
Council Tax	3.52%
Business Rates	3.80%

Overall, there is a lower appetite to reduce the funding for Social Care than any other service. Corporate Services are the key area that these participants would deliver expenditure cuts.

5.0 BUDGET EVENTS

A series of events were organised for residents to come together, hear more about the budget proposals and debate how investments in Wirral are made. A separate series of events were organised for council staff.

These events generated positive debate, constructive feedback and a range of ideas and suggestions for developing financial strategies in the future. Further work is being done on the content from these events to inform future savings proposals.

The savings proposals put forward for consultation by Cabinet in November 2018 were not specifically commented on at these events, the discussions that took place were more around what services the public and staff value most and whether they wanted to submit any ideas to be fed into the future budget setting process and MTFS.

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APPENDIX 3

FEES AND CHARGES 2019/20

1.0 SUMMARY

1.1 This report sets out the fees and charges proposed for Council services for the year 2019/20. As required by best practice, all of the fees and charges of the authority have been reviewed by Business Units and Business Support staff with a view to maximising income resources within statutory constraints. Wirral follows good practice by maintaining and publishing a comprehensive Directory of its Fees and Charges each year.

2.0 BACKGROUND INFORMATION

REVIEW OF CHARGES FOR 2019/20

2.1 Wirral receives income to pay for its services from a number of different sources including:

- Grants from central government
- Grants from other public bodies
- Council Tax and Business Rates
- Fees and Charges

2.2 Wirral provides a wide range of services; some free to users and some charged for. The income from the charged-for services is a key source of funding to support services and generates over £50 million per year. Charges are set with the framework of the Medium Term Financial Strategy, the charging policy and legal requirements.

2.3 Many fees and charges for statutory services are set subject to national guidelines. There may be circumstances where the charge is set to manage demand or deter certain behaviour, such as fines. The remaining charges for services are discretionary in nature, covering a wide range of services such as Pest Control and Leisure Centres. The Budget proposals include recommendations for fees and charges for 2019/20, following a review process by all service managers.

2.4 A comprehensive Directory of Fees and Charges containing a description of the charge: VAT status and the level of charges in 2019/20, 2018/19 and, 2017/18 is held on the Council web-site and updated annually.

2.5 While some fees have not increased, the majority of fees and charges have increased in line with inflation, or to bring them more in line with councils in the Liverpool City Region. Others have changed as a result of legislation or if savings have already been agreed; these have been included in the Directory. Some charges included in the Directory still await final decisions on their implementation; when confirmed these charges will be amended as necessary prior to publication of the Directory in April 2019.

2.6 In setting charges for 2019/20, the Council seeks to cover the full cost of providing services where it is possible to do so in line with the Council's service priorities. As a consequence some charges are being increased by more than the current levels of inflation.

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

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

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

4.0 RELEVANT RISKS

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

5.0 EQUALITY IMPLICATIONS

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

6.0 RECOMMENDATIONS

6.1 That Delegated Authority be given to the Director of Finance and Investment (Section 151 Officer) to update the Council's Fees and Charges Directory prior to publication before 1 April 2019.

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

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

Annex 1

Pricing and Charging Policy

Introduction

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

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

The purpose of this document is to:

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

This document covers the following

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

Scope of Charging

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

Overriding Principles when setting Charges

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

Reviewing Charges

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

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

Factors to consider in an annual review

The review of charges should consider the following:

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

Concessions

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

APPENDIX 4

Discretionary Rate Relief Policy

Wirral Council

2019/2020

INDEX

1. INTRODUCTION

1.1 As part of its role in the administration of National Non Domestic Rates (NNDR) (more commonly referred to as Business Rates) Wirral Council has several areas where it can exercise its discretion to provide reductions to the amounts of business rates that are due to be paid.

1.2 Since April 2017, the Council has participated in the 100% Business Rates Retention Pilot scheme. This means that at present under the Pilot:

- Mandatory Relief is financed 99% by the Council and 1% by the Merseyside Fire and Rescue Authority

- Discretionary Relief is financed 99% by the Council and 1% by Merseyside Fire and Rescue Authority

1.3 This policy outlines the areas of local discretion and the Council's approach to the various awards. This approach has regard to the impact

- of granting Discretionary Rate Relief on the Council's wider financial position and Council Tax payers;

- on the organisations and businesses that currently receive or may apply for relief in the future;

- for Wirral residents if relief is awarded and the regeneration benefits to the borough.

1.4 The principal consideration when making an award is that any relief granted is in the best interests of the residents and taxpayers of Wirral and produces a local benefit.

1.5 In addition the Council also operates a number of schemes which are funded fully by the government summarised at 2.3 below.

2. DISCRETIONARY RATE RELIEF SCHEME

2.1 The Local Government Finance Act 1988 requires the Council to maintain a Discretionary Rate Relief Scheme to award Business Rates Relief of up to 100% to certain organisations who operate within specified criteria.

2.2 This includes:

- Charitable bodies (who receive 80% relief) The Council has further discretion to "top up" this relief to 100% of the rates due.

- Registered community amateur sports clubs (CASC's) (who receive mandatory 80% relief). The Council has further discretion to "top up" this relief to 100% of the rates due.

- Non-profit making organisations. The Council has further discretion to grant "standard" discretionary rate relief of between 0 to 100% of the business rates due.

- Hardship Relief. Section 49 of the Local Government Finance Act allows the Council to exercise its discretion to provide either partial or full relief from Non-Domestic Rates in cases of hardship where it would be reasonable to do so having due regard to the interests of council tax payers in general.

- Part Occupation Relief. Section 44(a) of the Local Government Finance Act 1988 allows the Council to exercise its discretion to grant relief on business premises that are partly occupied, as long as this situation is for a short time

2.3 There are also six schemes administered by the Council, where any relief granted is wholly funded by central government subject to specific criteria. The Council will be using its discretionary powers under section 47 of the Local Government Finance Act 1988 as amended to grant relief. Central government will fully reimburse the Council using a grant under Section 31 of the Local Government Act 2003.

• The Supporting Small Business Relief scheme for ratepayers who are losing some or all of their small business rate relief as a result of a large rateable value increase following the 2017 revaluation. The scheme is available for 4 years from 1 April 2017. The relief is fully funded fully via Section 31 Grant.

• The Revaluation Relief scheme. The Government established a £300m discretionary fund over 4 years from 2017/18 to support businesses that have experienced a large increase in their rateable value following the 2017 revaluation. The qualifying criteria for 2019/20 will be for any business with a

continuing increase in the rates payable following the Revaluation in 2017. This will be paid at a rate of 30% of the increase. The relief is funded fully via Section 31 grant

• Relief for Local Newspapers. The Council has discretion to award a discount of £1,500 office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for one year from 1 April 2019. The relief is fully funded via Section 31 Grant.

• 100% business rates relief for new full-fibre infrastructure for a 5 year period from 1 April 2017. This is designed to support roll out to more homes and businesses.

• The 100% relief from Business Rates for all standalone public toilets. The relief is funded fully via Section 31 Grant.

• The Business Rates Retail Discount Scheme for 2019-20 and 2020-21. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The Government will, in line with the eligibility criteria set out in their guidance, reimburse local authorities that use their discretionary relief powers, via Section 31 Grant

3. CHARITABLE BODIES

3.1 A Mandatory Rate Relief of 80% is granted to charities in the following circumstances. Where the:

• ratepayer of a property is a charity or the trustees of a charity; and

• property is wholly or mainly used for charitable purposes (including charity shops, where the goods sold are mainly donated and the proceeds are used for the purpose of the charity).

3.2 The Council does not have discretion regarding awarding Mandatory Rate Relief, however the Council must be satisfied that the statutory criteria has been met. For this purpose the Council will use guidance provided in both the Local Government Finance Act 1988, and by reference to other enactments and case law.

3.3 Registration under the Charities Act 1993 is conclusive evidence of charitable status and the Council will refer to the Charity Register for evidence of this. Absence from the register does not mean an organisation has not been established for charitable purposes as certain organisations are exempt from registration under the Charities Act 1993.

3.4 In cases where a charity is in receipt of mandatory rate relief of 80%, the Council has discretion to grant up to 20% additional rate relief. This is known as Discretionary Rate Relief top up.

3.5 The Council will consider applications for a Discretionary Rate Relief top up from charities based on their own merits, on a case by case basis. However the principal consideration is that the relief is in the best interests of the residents and taxpayers of Wirral and produces a local benefit as the Council must contribute to the cost of each award. As such, top up will be awarded to only the following type of registered charities:

- Scouts, guides, cadets and other clubs/associations for young people;
- Community schemes encompassing organisations providing support for those over the age of retirement, community transport, those based on volunteering and residents associations;
- Organisations providing support in the form of advice, training for employment, counselling;
- Organisations that provide services that address the consequences of ill health and disability;
- Charitable sporting clubs;
- Locally based leisure and cultural organisations;
- Armed forces veterans associations
- Locally based charities;
- Charity shops (operated by either locally based or national charities);
- Local child care providers registered as charities.

3.6 Applications for Discretionary Rate Relief can be made via the online Discretionary Rate Relief Form

3.7 Applications for Discretionary Rate Relief top up must be supported by, and include:

- The applicant organisation's main purposes and objectives, as set out in, for example, a written constitution, a memorandum of association, or set of membership rules;
- A full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available, projected figures should be provided instead;
- Details of how the organisation meets the criteria outlined in these guidelines. Objectives

3.8 In determining the application, the following matters will be taken into consideration:

- How the charity supports and links into the Council's Corporate Objectives:

- The purpose of the charity and the specific activity carried out within the building for which the relief is requested:

- Whether the charity operates at a local or national level and where appropriate, the local and national funding streams and financial position of the charity

3.9 Registered Social Landlords, universities, further education colleges and independent schools are specifically excluded from receiving discretionary rate relief as per Cabinet decision dated 10 January 2008.

3.10 If an organisation in receipt of Discretionary Rate Relief top up ceases to meet the eligibility criteria outlined in this policy, it will cease to receive Discretionary Rate Relief. The Council will give such organisations twelve months written notice prior to the withdrawal of the Discretionary Rate Relief top up

3.11 The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Customer Services and the Section 151 Officer.

3.12 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

3.13 Applicants will be informed in writing of the outcome of their application as soon as possible.

3.14 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

3.15 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

4. REGISTERED COMMUNITY AMATEUR SPORTS CLUBS (CASC)

4.1 A mandatory rate relief of 80% is granted to registered community amateur sports Clubs (CASC). To qualify as a CASC, a sports club must fulfil all of the following criteria. It must be

- Open to the whole community;

- Run as an amateur club;

- A non-profit making organisation; and

- Aiming to provide facilities for, and encourage people to take part in, eligible sport.

4.2 In cases where a CASC is in receipt of Mandatory Rate Relief of 80%, the Council has discretion to grant up to 20% additional rate relief as a Discretionary top up

4.3 The Council will consider applications for a Discretionary Rate Relief top up from CASCs based on their own merits on a case by case basis. The principal consideration is that any relief is in best interests of the residents and taxpayers of Wirral and produces a local benefit as the Council must contribute to the cost of each award.

4.4 Applications for a Discretionary top up can be made through the on line Discretionary Rate Relief claim form

4.5 Applications for a Discretionary top up must be supported by, and include:

- The applicant organisation's main purposes and objectives, as set out in, for example, a written constitution, a memorandum of association, or set of membership rules;

- A full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available, projected figures should be provided instead;

- Details of how the organisation meets the criteria outlined in these guidelines.

4.6 In determining the application the following matters will be taken in to consideration:

- How the CASC supports and links into the Council's Corporate objectives;

- A club should have an open access policy. If a club effectively discriminates by only accepting members who have reached a particular standard, rather than seeking to promote the attainment of excellence by enhancing access and the development of sporting aptitude, then it does not fulfil the requirements;

- The extent to which the facilities provided reduce the demand for Council services or produce savings to the council

- Membership must be open to everyone, regardless of race, ethnic origin, sex, marital or parental status, sexual orientation, creed, disability, age, religious affiliation or political belief,

- If the organisation applying for a Discretionary Rate Relief requires membership or an entry fee, the Council will consider whether:

  - The subscription or fee is set at a level which is not prohibitively high and considered to be affordable by most sections of the community

  - Fee reductions are offered for certain groups such as, for example, under 18s or over 60s

- Membership is encouraged from groups who face social barriers, such as, for example, young people not in employment, education or training; people above working age or people with disabilities

- Facilities are made available to people other than members

4.7 It should be noted that sports clubs which run a bar are unlikely to be awarded relief if their main purpose is the sale of food or drink. However, if the sale of food or drink by the organisation aids the overall operation and development of the organisation in achieving its objectives, this would be permissible as long as the principal objectives of the organisation meet the eligibility criteria detailed at 4.1. If the bar makes a profit, this profit must be reinvested to support the organisation in achieving its principal objectives. Financial information will be required to evidence any profit and its use.

4.8 The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Customer Services and the Section 151 Officer.

4.9 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

4.10 Applicants will be informed in writing of the outcome of their application as possible.

4.11 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

4.12 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

5. NON-PROFIT MAKING ORGANISATIONS INCLUDING COMMUNITY INTEREST COMPANIES (CIC)

5.1 The Council has the power to grant discretionary rate relief of up to 100% for the rates due to non-profit making organisations. The main objectives of the organisation must be related to:

- Relief of poverty;
- Advancement of religion;
- Advancement of education;
- Social Welfare;
- Science;
- Literature;
- Fine arts;
- Recreation

5.2 An organisation must be able to demonstrate how it

- meets local needs and benefit local people; and

- provides a valuable service to the community; and

- is open to all sections of the community; and operates in such a way that it does not discriminate against any section of the community; and

- is not conducted or established for the primary purpose of accruing profit.

5.3 The Council will consider applications for a Discretionary Rate Relief top up from non-profit making organisations based on their own merits, on a case by case basis. The principal consideration is that any relief is in the best interests of the residents and Council taxpayers of Wirral and produces a local benefit as the Council must contribute to the cost of each award. As such, top up will only be awarded to the following type of non-profit making organisations:

- Scouts, guides, cadets and other clubs/associations for young people;

- Community schemes encompassing organisations providing support for those over the age of retirement, community transport, those based on volunteering and residents associations;

- Organisations providing support in the form of advice, training for employment or counselling;

- Organisations that provide services that address the consequences of ill health and disability;

- Locally based leisure and cultural organisations;

- Armed forces veterans associations.

5.4 If the organisation applying for DRR requires membership or an entry fee, the Council will consider whether:

- Membership is open to everyone, regardless of race, ethnic origin, sex, marital or parental status, sexual orientation, creed, disability, age, religious affiliation or political belief.

- The subscription or fee is set at a level which is not prohibitively high and considered to be affordable by most sections of the community.

- Fee reductions are offered for certain groups such as, for example, under 18s or over 60s.

• Membership is encouraged from groups who face social barriers, such as, for example, young people not in employment, education or training; people above working age; or people with disabilities.

• Facilities are made available to people other than members

5.5 Applicants will be encouraged to submit their applications through an online Discretionary Rate Relief Form

5.6 Applications for DRR must be supported by, and include:

• The organisation's main purposes and objectives, as set out in, for example, a written constitution, a memorandum of association, or set of membership rules.

• A full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available, projected figures should be provided instead.

• Details of how the organisation meets the criteria outlined in these guidelines.

5.7 If an organisation in receipt of DRR ceases to meet the eligibility criteria outlined in this policy, it will cease to receive DRR. The Council will give such organisations twelve months written notice prior to the withdrawal of DRR.

5.8. The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Customer Services and the Section 151 Officer.

5.9 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

5.10 The granting of relief will be reviewed annually and those in receipt of DRR may be asked to supply or confirm relevant information for the purpose of the review.

5.11 Applicants will be informed in writing of the outcome of their application as possible.

5.12 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

5.13 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

6. HARDSHIP RELIEF

6.1 The Council has the power under Section 49 of the Local Government Finance Act 1988 to reduce or remit the Non-Domestic Rates charged in certain circumstances where the applicant organisation is enduring temporary financial difficulties. This is known as Discretionary 'Hardship' Relief.

6.2 The Council may grant Discretionary Hardship Relief if it is satisfied that:

- The ratepayer would sustain financial hardship if the Council did not do so, and,

- It is reasonable for the Council to grant relief, with regard to the interests of its residents and Council Tax payers.

6.3 Discretionary Hardship Relief is a temporary measure which should not be used to artificially sustain a failing business. Discretionary Hardship Relief will be awarded where the applicant organisation is facing temporary financial difficulties and where the community would be significantly disadvantaged if the business were to close due to these temporary financial constraints.

6.4 When deciding to award hardship relief, as well as being confident that the organisation is experiencing hardship, the principle consideration will be that any relief is in the best interests of the taxpayers of Wirral as the Council must bear the cost of any relief granted.

6.5 Applicants will be encouraged to submit requests for Discretionary Hardship Relief through the use of an online Discretionary Rate Relief claim form.

6.6 Applications for Discretionary Hardship Relief be accompanied by full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available for the current financial year, projected figures should be provided instead. It is recommended that applicant organisations submit audited accounts dating back further than two years, if such information is available.

6.7 Discretionary Hardship Relief is awarded as a temporary measure in accordance with the applicant organisations circumstances and the anticipated length of the financial difficulties.

6.8 The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Customer Services and the Section 151 Officer.

6.9 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

6.10 Applicants will be informed in writing of the outcome of their application as possible.

6.11 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

6.12 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

7. PART OCCUPATION RELIEF

7.1 Section 44(a) of the Local Government Finance Act 1988 enables the council to grant relief on business premises that are partly occupied, as long as this situation is for a short time

7.2 The length of this period is at the council's discretion and will be considered on the basis of each application for his relief.

7.3 The situation must be happening at the present time, so retrospective claims cannot be considered.

7.4 Applications for Part Occupied Relief can be made via the online Discretionary Rate Relief Form

7.5 Applications for Part Occupied Relief top up must be supported by, and include

- A plan of the property clearly marking the areas that are occupied and unoccupied.
- The reasons why the property is unoccupied
- A plan will also be required to show it is intended to bring the unoccupied part back into use and within what timescales.

7.6 The Council delegates the decision making power for Part Occupied Relief awards to the Head of Customer Services and the Section 151 Officer.

7.7 The initial recommendations to award or refuse a Part Occupied Relief will be made by the staff from the Business Rates section.

7.8 Applicants will be informed in writing of the outcome of their application as possible.

8. SUPPORTING SMALL BUSINESS SCHEME

8.1. Within the Spring Budget on 8 March 2017 the Government announced further support to small businesses affected by the 2017 Revaluation; this is to be known as 'Support to Small Business' relief. This relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or

all of their Small Business Rates Relief and are facing large increases in their bills. For businesses that qualify their increase in rates will be limited to no more than £600 per annum.

8.2. The Council will make the award automatically without the completion of an application form. The award is for 5 years or until they reach the level of charges they would have reached without the scheme.

8.3. A change of ratepayer will not affect eligibility for the scheme unless the property becomes vacant or occupied by a charity. Normal European State Aid de-minimis rules apply to the award.

8.4. Small Business Support will be awarded under Section 47 of the Local Government Finance Act 1988. The authority will be fully reimbursed for the costs of granting this relief under Section 31.

9. REVALUATION RELIEF

9.1. Also as part of the Spring Budget on 8 March 2017 the Government announced a national fund of £300M over 4 years to provide discretionary rate relief to taxpayers facing significant increases in their Business Rates consequential from the 2017 revaluation. This assistance will be provided under Section 47 of the Local Government Finance Act 1988. The Council will make the award automatically without the completion of an application form. Normal European State Aid de minimis rules apply to the award.

9.2. The Government has indicated the funding that will be made available to each local authority. Wirral's allocation of £912,000 over 4 years is set out below;

2017/18	2018/19	2019/20	2020/21
£532,000	£259,000	£106,000	£15,000

9.3. The award is at the Council's discretion and it has decided that Empty Properties, National companies, Public bodies and organisations already in receipt of relief are excluded from the scheme. The qualifying criteria for 2019/20 will be for any business with a continuing increase in the rates payable following the Revaluation in 2017. This will be paid at a rate of 30% of the increase. The relief is funded fully via Section 31 grant

9.4. Although the funding is for 4 years the Council reserves the right to amend the scheme in year and for future years as it sees fit.

Discretionary revaluation relief will be awarded under Section 47 of the Local Government Finance Act 1988. The authority will be fully reimbursed for the costs of granting this relief under Section 31.

10. SUPPORT FOR LOCAL NEWSPAPERS

10.1. From 1 April 2017 the Government is providing funding to local authorities to provide a discount of £1,500 per year in 2017/18 and 2018/19 to office space occupied by local newspapers. The relief is specifically for local newspapers and is not available to magazines.

10.2. To qualify the property must be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters. The amount of relief is limited to a maximum of one discount per newspaper title and per property.

10.3 The relief is fully funded by Central Government.

11. RELIEF FOR STANDALONE PUBLIC TOILETS

11.1 The Government announced in the Budget on 29 October 2018 that it will provide Business Rates Relief for all standalone public toilets.

11.2 The relief will be granted without the need for an application

11.3 The authority will be fully reimbursed for the costs of granting this relief under Section 31.

12. BUSINESS RATE RETAIL DISCOUNT SCHEME

12.1 The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21.

12.2 The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.

12.3 Where an authority applies a locally funded relief, for instance a hardship fund, under section 47 this must be applied after the Retail Discount.

12.4 The criteria for the relief has been outlined by the government as follows

12.5 Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The government guidance on this is:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

− Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
− Charity shops

− Opticians
− Post offices
− Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
− Car/ caravan show rooms
− Second hand car lots
− Markets
− Petrol stations
− Garden centres
− Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

− Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
− Shoe repairs/ key cutting
− Travel agents
− Ticket offices e.g. for theatre
− Dry cleaners
− Launderettes
− PC/ TV/ domestic appliance repair
− Funeral directors
− Photo processing
− Tool hire
− Car hire

iii. Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

− Restaurants
− Takeaways
− Sandwich shops
− Coffee shops
− Pubs
− Bars

12.6 To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

12.7 The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

− Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
− Other services (e.g. estate agents, letting agents, employment agencies)
− Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
− Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
− Post office sorting offices

12.8 The list set out above is not intended to be exhaustive. However, it is provided by Government as a guide to the types of uses that is considers for this purpose to be retail. The Council will determine on a case by case basis whether particular properties/businesses not listed are broadly similar in nature to those above and, if so, to consider them to be retail. Conversely, properties that were not broadly similar in nature to those listed above will not be considered to be retail.

12.9 Retail discount relief will be awarded under Section 47 of the Local Government Finance Act 1988. The authority will be fully reimbursed for the costs of granting this relief under Section 31.

13 APPEALS

13.1 There is no statutory right of appeal regarding Discretionary Rate Relief decisions however the council will review decisions if requested to do so by the ratepayer.

13.2 Such a request should include the reasons for requesting the review and evidence in support of that request.

13.3 Such a request must be made within one calendar month of the date the original decision was issued.

13.4 The review will be carried out by officers of the Council who did not make the original decision.

14. INTEREST OF MEMBERS AND OFFICERS

14.1 Members and officers who have an interest in any aspect of an application for relief must not participate in the decision making process and must declare their interest.

15. EUROPEAN UNION STATE AID

15.1 EU State Aid rules generally prohibit government subsidies to businesses. Providing discretionary rate relief to ratepayers can in some cases be deemed to be State Aid.

15.2 There is, however, a general exception to the state aid rule where the aid is below a “de minimis” level. The De Minimis Regulations allow an undertaking to currently receive up to €200,000 of De Minimis aid in a three year period (consisting of the

current financial year and the two previous financial years). The De Minimis Regulation and limit is subject to update and changes in legislation.

15.3 To administer De Minimis it is necessary for the Council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. The Council will ensure compliance with the legal requirements and any permitted exemptions. Each case will be considered based on the organisation's individual circumstances in full consideration of the EU State Aid rules.

15.4 Business ratepayers who apply for or receive any discretionary rate relief (Section 44a, Section 47 or Section 49) will be required to make a declaration if they have or are receiving EU State Aid. This is particularly likely to affect large retail chains where the cumulative discretionary rate relief may cause them to exceed the €200,000 de minimus limit.

16. POLICY REVIEW

16.1 The Council will review the Discretionary Rate Relief policy on an annual basis but the Council reserves the right to review and revise the policy at any time as a result of information gained as a result of operating the policy or in response to Government initiatives.

16.2 Any further amendments to the above scheme for 2019/20 can be approved by the Section 151 Officer in conjunction with the Cabinet Member (Finance and Resources).

APPENDIX 5

CHIEF FINANCIAL OFFICER STATEMENT

SUMMARY

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

BACKGROUND

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

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

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

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

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

- Existing and future expenditure pressures are identified by reference to financial monitoring reports for the current year;
- The Section 151 Officer provided advice throughout the process;
- Ownership by the Cabinet Portfolio Holder and Senior Leadership Team of proposed savings and their achievability;
- Identification of financial risks;
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure;
- Consultation with the Members, public and groups as required;
- Accountable Managers identifying issues, projecting demand and considering value for money and efficiency;
- Ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both.

RELEVANT RISKS

A formal Risk Review of the Revenue Budget is undertaken to reflect local circumstances and from this it is proposed that Balances be set at a level appropriate to the identified risks.

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

Risks in relation to the Revenue Budget and Capital Programme flow in part from the assumptions identified and will be kept under review as part of the Financial Monitoring Reports to Cabinet throughout the 2019/20 financial year.

ROBUSTNESS OF THE REVENUE ESTIMATES

The 2019/20 budget built on the process followed in preparing the 2018/19 budget including a process to identify, review and assess both growth and savings proposals. Portfolio Holders and Senior Officers both worked on the development, challenge and scrutiny of financial proposals. This saw the production of proposals which were subject to public consultation and review by Elected Members.

Cabinet agreed proposals in November 2018 to assist in the production of a balanced Revenue Budget for 2019/20. Savings have been grouped under Cabinet portfolio. These are formally concluded with the setting of Council Tax levels for 2019/20.

In assessing the robustness of Revenue Budgets the key risks remaining are:

- The actual delivery of the approved savings and efficiencies;
- The impact of increasing demand for services, particularly care services, and reducing grant funding outlined in Government announcements;
- The confirmation of Government grants, of which a number remain unknown;
- Changes to the Capital Programme and associated revenue costs;
- The generation of capital receipts from the sale of land and buildings;
- The possibility of legal challenge including judicial review;
- On-going review of the risks relating to Council Tax and Business Rates collection levels and appeals.

These assumptions and changing circumstances require forecasts to be regularly reviewed. This includes the identification of options for consultation and to more detailed budgets being prepared for the next financial year, and the medium term, during the autumn.

The Council continues to face a challenging future while needing to achieve the Wirral Plan, to deliver services differently and to increase Income. If proposals are delayed or not delivered in a way that produces the benefits anticipated there will be a need to make up the shortfall from other additional reductions elsewhere.

Changes to the business rate system. The Council is participating in a no detriment pilot of 100% retention across the Liverpool City Region. The Government is currently consulting on the operation of the retention system from 2020. It is currently therefore difficult to evaluate what the changes will mean for the Council as the full details of how the full operation of Local Government Funding, including the ending of Revenue Support Grant and the transfer of new responsibilities to local authorities will operate. Further details, such as updating the relative needs formulae (determining how resources are initially distributed between councils) and the impact of business rate appeals, have yet to be finalised.

In order to mitigate the financial risks associated with the implementation of savings and to improve the robustness of the estimates, a Revenue Budget Contingency is to be maintained and a Financial Resilience Reserve.

ROBUSTNESS OF THE CAPITAL PROGRAMME

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

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

The main risks of the Capital Programme are:-

- The ability to deliver the Programme within the agreed timescales. The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2019/20 Programme;
- The future Programme includes new starts based on the availability of resources. There is a number of significant asset disposals planned and in today's climate; the capital receipts may be higher / lower than expected. The Programme includes the Transformation Programme funded from capital receipts placing increasing reliance upon timely delivery of receipts. A failure to materialise will have consequences on the availability of revenue funding.

ADEQUACY OF THE GENERAL FUND BALANCES AND RESERVES

The recommended approach to determining the level of General Fund balances and reserves follows the guidance issued by Grant Thornton (the Council's External Auditor) and CIPFA (the professional organisation responsible for the Accounting Code). The Level of General Fund Balances for 2019/20 is referred to in the main report.

RESOURCE IMPLICATIONS

In the Medium Term Financial Strategy and Council Budget 2018/19 report to Cabinet on 26 November 2018 the Budget Projection for 2019/20 indicated a shortfall between spend and resources of £45 million. The projected budget funding gap for the period 2019/23 is £67 million.

Cabinet considered savings options 2019/20 on 26 November 2018. This met the Forecast Funding Gap for 2019/20. These included a Council Tax increase of 2.99%, which is in line with the details released in the Final Local Government Finance Settlement.

WIRRAL

 **COUNCILLOR BERNIE MOONEY**	**CABINET** **18 FEBRUARY 2019** **SCHOOLS BUDGET AND FUNDING FORMULA CHANGES 2019/20**

Councillor Bernie Mooney, Cabinet Member for Children and Families said:

"We are all proud of the work our schools do. Often under testing circumstances, they continue to go above and beyond in supporting our children to reach their aspirations.

"It is never easy to determine the schools budget, particularly when Central Government impose new formulas – with no local knowledge or considerations – which we have to follow.

"This schools budget has been developed through extensive consultation through our Schools Forum, and I thank them all for their input and constructive comments."

REPORT SUMMARY

This report sets out the Schools Budget for 2019/20 having been previously considered by the Schools Forum at their meeting on 16th January 2019.

The Schools Budget covers education provision for all Wirral Pupils aged up to 18 in Early Years, Primary, Secondary and academy schools and for some pupils up to the age of 25 in Special Schools and High Needs providers.

Most budgets are delegated to schools with some central provision for support services including school admissions and High Needs.

The report proposes a number of changes to the local funding formula for Schools to allow a transitional transfer to the National Funding Formula. There are also changes proposed to High Needs.

The Schools Budget provides resources to support all children and young people pledges, and the proposals within result in an in-year deficit of £2,343,200 on the DSG budget.

This matter affects all Wards within the Borough and is a Key Decision.

RECOMMENDATION/S

Cabinet recommends the 2019-20 Schools Budget of £267,661,400 to Budget Council having taken account of the views and formula proposals from the Schools Forum that:

i) That the 2019-20 schools funding formula should be a transition formula introducing some elements of the National Funding Formula including the minimum per pupil funding formula levels of £3,500 for primary schools and £4,800 for secondary schools.

ii) That a Minimum Funding Guarantee of 0% for Wirral schools in 2019-20 is approved to provide additional protection and stability in funding, and to ensure that no school can lose pupil funding unless there is a reduction in pupil numbers ensuring that no pupil is disadvantaged as a result of the change in formula.

iii) That the continuing Contributions to Combined Budgets should be £875,600 in 2019-20.

iv) That any remaining uncommitted Dedicated Schools Grant (DSG) reserves remaining at the end of 2018-19 are used as a contingency to support High Needs pressures in future years.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATIONS

1.1 The Council has a legal requirement to set a schools budget for the following financial year.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Schools' Forum considered a number of options when considering the Schools Budget with regard to the make-up of the Schools' local funding formula in light of the introduction of the National Funding Formula from April 2018. These are described in more detail in the report.

3.0 BACKGROUND INFORMATION

3.1 The Schools Forum was asked for their views on and approval of the Schools Budget for 2019/20 on 16th January 2019. The budget of £267,661,400 is for early years, maintained schools, academies, colleges and providers and is based on Dedicated Schools Grant allocations issued by the Department for Education (DfE) on 17th December 2018, and a Council contribution to PFI costs of £1,152,700.

3.2 The format of the Dedicated Schools Grant (DSG) is largely unchanged following the introduction of the National Funding Formula for Schools and High Needs in 2018-19.

3.2.1 DSG allocations have been updated for changes in pupil numbers. Pupil numbers are those recorded in the October 2018 census. The secondary roll has increased while the primary roll has fallen slightly, and is expected to fall further in future years following a previous reduction in Early Years (3 and 4 year olds).

3.2.2 Early Years funding is based on a combination of the census in January 2019 and January 2020. The dates for the Early Years Census mean that the exact DSG will not be finalised until July 2020. The grant used for the budget are based on the current indicative figures (using the January 2018 census) and any known or anticipated changes after this date e.g. for increasing take up of the 15 hour extended offer.

3.2.3 The High Needs Block provides resources to fund high needs students aged 0 – 24, including the Hospital School. The High Needs block will increase by £1.7m, including £712k as part of the £250m additional High Needs funding over 2 years announced by DfE on 17th December 2018. Growth can be used flexibly to make adjustments locally to high needs places as well as to the top ups provided. A number of changes are described later in this report.

3.2.4 The Blocks in their current format can be summarised as follows:

Block	2018-19 £	2019-20 Allocation £	Change £	Change %
Schools Block	198,653,500	202,890,500	4,237,000	2.13%
Early Years (est)	21,123,800	22,105,900	982,100	4.65%
High Needs	35,157,500	36,874,100	1,716,600	4.88%
Central Schools	2,254,500	2,295,000	40,500	1.8%
Total		**264,165,500**		

3.2.5 **Schools Block £202.9m**

This funding covers the delegated budgets to primary and secondary schools and academies only. Funding previously included in the schools block for budgets that are managed centrally on behalf of schools is now included in the Central Schools Services Block.

3.2.6 **Early Years Block £22.1m**

This Block funds the costs of Early Years Education for 2, 3 and 4 year old children in schools, nurseries and private voluntary and independent providers for both the universal and extended entitlement. Most of this funding is directed through the Early Years National Funding Formula (EYNFF).

There are small elements covering SEN costs and some central Early Years support costs. Amounts held centrally are within the new nationally defined limits of 5%.

3.2.7 **High Needs Block £36.9m**

The make-up of this block is complex. It is based on the “place plus” funding system introduced by the DfE in April 2013 and includes:

• Special schools (pre and post 16), and non-maintained special schools, both of which receive a base level funding of £10,000 per place.

• School bases which receive £6,000 per place, reduced from £10,000 from April 2018, the difference being transferred into the schools block.

• Alternative Provision Bases and Emslie Morgan Academy funding of £10,000 per place.

• Place funding in Wirral’s FE provision at Wirral Met College and Birkenhead 6th Form College of £6,000 per place.

• Additional funding over and above that provided for places in the form of “top ups” provided on a per pupil basis. The top up, or “plus” element of funding, takes account of the agreed assessed needs of pupils and is paid by the “commissioner” responsible; this may be Wirral Children’s Services, a school or another Local Authority. Wirral’s top up system uses 5 bands to allocate funding across special schools, resourced bases and alternative provision. Non-maintained Special Schools also receive a top up.

• The costs of Top Ups for all education and training for post 16 specialist provision for Learners with Learning Difficulties or Disabilities (LLDD) in colleges and private providers.
• The Hospital Schools budget.
• The cost of placements in Independent Special Schools.
• The costs of Education, Health and Care Plans / Statements.
• The central provision of SEN support.

3.2.8 **Central School Services Block £2.3m**

This block provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England. Funding previously allocated to LAs for Education Services Grant (ESG) retained duties is included within this block, together with funding for historic commitments. The funding for ongoing responsibilities includes:
• Contribution to combined budgets
• Schools budget retirement costs from school closure
• School Licenses
• Admissions
• Schools Forum
• Former ESG retained duties
• Central PFI costs
The treatment of these budgets, which are considered in further detail later in this report, is in accordance with national guidance.

3.3 **Academies**

Currently there are 15 secondary academies, 11 primary academies and 1 Alternative Provision Academy – Emslie Morgan. Academies are independent from the local authority and are funded directly from the EFA, however Regulations require Wirral to continue to calculate their budgets which are deducted from Wirral's DSG. The total grant reduction for Wirral is estimated to be £91m in 2019-20.

3.4 **Minimum Funding Guarantee (MFG)**

The National Funding Formula provides a minimum 1% cash increase in pupil led funding in 2019-20 for every school compared with their 2017-18 baselines. Local Authorities have discretion over the level of MFG in their local formula as part of the 'soft' formula. LAs are able to apply MFG of between minus 1.5% and 0.5% per pupil to protect schools from large formula changes, but giving Authorities the flexibility to move towards the National Funding Formula whilst reflecting local circumstances where necessary.

Minimum Funding Guarantee is discussed further later in this report, along with the Schools Funding Formula.

3.5 **2019-20 Schools Budget savings**

There are no specific budget savings proposed as part of this Schools Budget report.

3.6 2019-20 School Budget Changes

3.6.1 Primary, Secondary and Academy Budgets £202.9m

The significant changes within this area are:

• There is a net increase in school rolls, resulting in an overall budget increase of £2.1m. There are 382 more pupils on roll in October 2018 compared to October 2017. Primary numbers have reduced by 56 from 25,944 to 25,888 (a 0.22% reduction) while Secondary numbers have increased by 438 from 17,470 to 17,908 (a 2.5% increase).

• There has been an increase in Business Rates payable of £94k resulting from inflation and the unwinding of transitional relief following the rates revaluation exercise in 2017.

• The PFI Affordability Gap delegated to schools has been increased by the estimated cost of inflation - £120,800.

• There is Headroom within the budget, which arises from a difference in the pupil funding received in DSG and the funding allocated within the ISB. This totals £1.9m (1%) and has been split proportionately between primary and secondary budgets.

3.6.2 6th Form Funding

The Schools Budget includes funding for High Needs students in 6th Forms. All other post 16 funding is through the National Formula for 6th Forms.

3.6.3 High Needs Places £16.0m

Places in specialist provision within Local Authority areas continue to be determined by each LA in consultation with schools and providers. There is flexibility to make adjustments so that places more broadly reflect take up by pupils and some place changes have been included in the budget, increasing the budget by £734,500. These include the increase in place numbers at 4 special schools from September 2018 as well as places in 6 trial SEN bases which are likely to continue for the full year until the independent SEN review is completed.

All changes have been reported to the ESFA where necessary and have been reflected in the budget as follows:

Full Year Effect of changes made in 2018-19

- Birkenhead 6th Form College reduce by 8 places to 57
- Wirral Met College increase by 2 places to 119
- The Observatory increase by 21 places to 76
- Foxfield increase by 5 places to 138
- Elleray Park increase by 18 places to 128
- Stanley increase by 21 places to 141

Full Year Effect of Trial bases introduced in 2018-19

- Woodslee additional 8 places
- The Observatory additional 6 places
- Oldershaw additional 5 places
- Hilbre additional 1 place

Changes from September 2019

- Foxfield increase by 2 places to 140

- Townfield reduce by 1 place to 10
- Woodchurch High increase by 5 places to 20
- Oldershaw increase by 6 places to 26
- Emslie Morgan AP reduce by 20 places to 80
- Weatherhead reduce by 1 place to 0
- Wirral Met College increase by 14 places to 133

3.6.4 **Early Years £21.1m**

Early Years funding for 2019-20 will be based on census counts in January 2019 (5/12ths) and January 2020 (7/12ths).

Latest DfE estimates (December 2018) indicate that 1,251 children are eligible for 2 year old funding in Wirral, with an estimated take-up of 93% in 2019-20. Estimated DSG and expenditure budgets are therefore based on these numbers.

The January 18 census showed a falling roll for universal 3 and 4 years olds compared to the January 17 census, mirroring a drop in birth rates for the related period. At this time it has been assumed that there will be no change in the January 19 census, although this will be kept under review.

The extended offer of an additional 15 hours for working parents was introduced from autumn 2017, with the DfE's expectation being that extended hours claimed would eventually be around 60% of universal hours. Take-up has risen, although not as sharply as estimated when setting the 2018-19 budget, with extended hours claimed in autumn 2018 being 44.4% of universal hours (37% in autumn 2017). Estimated DSG and expenditure budgets estimate that this will be 46.5% in spring 2019, rising to 50% in spring 2020.

Pupil numbers	January 2017	January 2018	Change
2 year olds (FTE)	1,232	1,106	(126)
3/4 year olds (universal FTE)	4,933	4,878	(55)
3/4 year olds (extended FTE)	-	2,012	2,012

Disability Access Fund moves into its 3rd year following its introduction in April 2017. Take up was slow in 2017-18, and has reduced further in 2018-19. However, the DfE's estimate is that 168 Wirral children are eligible, giving an initial allocation of £103k, and this is reflected in the estimated DSG and expenditure budgets.

3.6.5 **SEN Top-ups £21.7m**

The proposed budget for SEN Top-ups is £21.7m, an increase of £3.33m from 2018-19. As well as the changes to place numbers outlined above, top-up budgets have been increased as follows:

	2018-19 budget £	2019-20 budget £	Change £
Statements (£5,715,100)			
Early Years	450,000	450,000	0
Primary	1,724,000	2,730,600	1,006,600
Secondary (including 6th Forms)	1,887,000	2,314,700	427,700
Personal Budgets	108,700	108,700	0

Other	111,100	111,100	0
Top-ups (£15,962,900)			
Special Schools (& 6th Forms)	6,917,000	7,708,600	791,600
SEN Units (resourced & AP)	724,400	1,038,200	313,800
Alternative Provision	493,300	494,900	1,600
Further Education (6th form college & providers)	946,000	1,700,000	754,000
Exceptional Need	504,100	504,100	0
Nursing Support	106,600	106,600	0
Contingency	279,900	310,000	30,100
Independent Non-maintained Special Schools	3,700,000	3,700,000	0
Home Tuition	400,500	400,500	0
Total	**18,352,600**	**21,678,000**	**3,325,400**

- **Statements £5.7m** – a net increase of £1.43m reflecting the increased number/cost of EHCPs/IPFAs, particularly for Primary pupils.
- **Special Schools £7.71m** – special school top-ups budgets are under increasing pressure, and budget has increased by £791,600 due to a combination of increased numbers (including the additional places detailed above) and greater needs moving towards higher top-up bands.
- **SEN Units £1.04m** – the budget has increased by £313,800 to include the pupils in the trial bases as well as other small changes in numbers described above.
- **Further Education and 6th Form College £1.7m** – there has been an increase of £754,000 in this budget which reflects the national increase in demand, as well as more expensive places resulting from tribunal cases.
- **Contingency £310k** – this budget has been increased by £30k and covers the potential cost of:
  - The 90% guarantee to maintained mainstream schools to limit the demands on low cost high incidence SEN budgets used to support statements (£270k).
  - Any unforeseen consequences arising from top-ups, places, or exceptional cases (£40k).

These changes, together with the place changes outlined in 3.6.3 mean that the pressures estimated on the High Needs budget total £4.06m, which outweighs the increase in High Needs Block increase of £1.72m. This results in an estimated in-year deficit of £2.34m on the High Needs budget.

3.6.6 **Central School Services**

Budgets held for Contingency, Special Staff (maternity and trade union duties), the School Library Service, Insurance (Governors Aided), Behaviour Support, and FSM Eligibility have been delegated to schools. Schools Forum have de-delegated all of these areas apart from FSM Eligibility so they can be held centrally. They have also de-delegated costs associated with former General Duties of the Education Services Grant and School Improvement.

The centrally held budgets for 2019-20, mainly funded by the Central Schools Services Block of DSG, include:

- The continuing premature retirement of teachers and staff that have arisen from closing schools (£60,000, unchanged from 2018-19).

- The cost of licenses for copyright and music in all schools and academies resulting from a national agreement (£246,600, an increase of £13,500).
- School Admissions (£372,200, unchanged from 2018-19).
- Contributions to combined budgets (£875,600, unchanged from 2018-19).
- Schools Forum (£10,600, unchanged from 2018-19).
- Early Years (£518,700, funded from the Early Years block and unchanged from 2018-19).
- Retained duties of the former Education Services Grant (ESG) (£730,000, unchanged from 2018-19).
- The Authority's contribution to the PFI Affordability Gap (£1,152,700, an increase of £189,300, funded by the LA).

3.6.7 Contributions to combined budgets

School Funding Regulations continue to allow contributions to support services that would otherwise fall outside the Schools Budget. These budgets combine with other council resources for the educational benefit of children.

There must be no new commitments or increases in expenditure from that agreed in 2012-13, and DfE expect that these costs will unwind over time. The combined budgets are:

Combined budget summary	£
Discretionary Rate Relief	106,600
School Improvement	330,000
LSCB	30,000
School Intervention	136,000
PFI – CLCs	68,500
LACES	140,500
PFI Support Team	61,800
Governors Forum	2,200
Total	**875,600**

3.7 Education Services Grant

Schools Forum agreed on 16th January 2019 to de-delegate £500,000 on behalf of Maintained Primary, Secondary and Special Schools towards the full year costs of former ESG General Duties. This is to contribute to the cost of functions such as Internal Audit, some Asset Management costs, school redundancies, and other statutory duties. The estimated costs of these services per the 2018-19 Section 251 Budget Return are as follows:

Estimated cost of ESG services	£
Education Welfare	454,800
Asset Management	152,600
Statutory/Regulatory duties	998,600
Premature retirement/redundancy	128,300
Monitoring national curriculum assessment	65,000
Total	**1,799,300**
Funded by:	
School budget retained duties	730,000
General duties (de-delegation)	500,000

Council funded	569,300
Total	**1,799,300**

3.8 **Use of Reserves**

DSG reserves held total £2.3m, and were agreed as part of the year end accounts for 2017-18. The Schools Budget for 2018-19 is likely to use £1.13m of these, leaving £1.2m. £0.65m of this is reserved for the costs of pay harmonisation, with small amounts being held for Early Years and the remaining final closure / school re-use costs of the former City Learning Centres. It is proposed that any remaining DSG reserves at year end are used to mitigate High Needs pressures in 2019-20.

3.9 **Other Grant Funding**

Pupil Premium provides funding targeted towards deprivation. Now in its ninth year rates remain unchanged. For Wirral Pupil Premium totals approximately £16m, although final allocations will be based on data collected in the January census for current numbers of Free School Meal's (and those over the previous 5 years) and LAC Census data collected in March 2019.

The grant for Universal Infant Free School Meals will remain at a meal rate of £2.30 per meal for the 2019-20 academic year.

It is unclear at this stage whether the SEND Implementation Grant, for which Wirral received £165k in 2018-19, will continue in 2019-20. Further details are expected to be confirmed in February.

The funding for Primary PE and Sport Premium, Year 7 Catch-up Premium, and Extended Rights to Home to School Transport will continue in 2019-20.

Teachers Pay Grant which funds schools for the teachers' pay award of up to 3.5% from September 2018, will continue in 2019-20 at the following rates:

- Primary £28.29 per pupil
- Secondary £45.56 per pupil
- Special £113.46 per pupil

3.10 **INFLATION**

Although the mainstream schools budget has received increased funding, there is no specific provision in the budget for pay awards. A pay award of up to 3.5% for Teachers from September 2018 was announced in July 2018, with a corresponding grant allocation for 2019-20 of up to 2.5%.

A 2% pay award for support staff was also agreed, together with a realignment of their lower pay scales which in total will cost mainstream schools approximately £1.8m. The additional cost over and above any increase in budget allocations and Teachers Pay Grant will need to be met from existing budgets.

An increase in employers' Teachers' Pension Scheme contributions from 16.48% to 23.6% is anticipated from September 2019. DfE have confirmed this will be fully funded in 2019-20 and consultation is currently underway on who should be funded for the increase. They are also in discussions with relevant sectors on the allocation mechanisms of this funding. Equivalent funding from 2020-21 will be considered as part of the Spending Review 2019.

There is no general provision for price inflation, although costs for school rates and PFI continue to reflect RPI increases.

3.11 CHANGES TO THE SCHOOLS FUNDING FORMULA

3.11.1 The Secretary of State confirmed details of updated National Funding Formula (NFF) for schools in July 2018. The format of the formula remains largely unchanged from 2018-19, with a few important changes / features:

- The funding floor will increase giving a 1% gain per pupil against 2017-18 baselines, while the gains cap will increase to 6.09% against 2017-18 baselines;
- The minimum per pupil funding levels have increased to £4,800 for secondary schools, and £3,500 for primary schools (from £4,600 and £3,300 respectively);
- Growth funding for 2019-20 will be allocated to Local Authorities on a formulaic approach, based on pupil data from the October 2018 census;
- The overall schools' block funding provided to local authorities to be ring-fenced, with some limited flexibility to transfer up to 0.5% out of the Schools Block to High Needs, subject to consultation and Schools' Forum approval.

3.11.2 Wirral remains responsible for agreeing the funding formula for schools until a "hard" formula is implemented, which is now expected in 2021-22. During this intervening time the NFF will run alongside any local formula for schools. This "soft" period is seen by the DfE as a transition, giving LA's flexibility to move towards the NFF and may also protect against turbulence.

The LA is required to consult with schools on any proposals to change the local schools funding formula. In addition School Forum members must also be consulted on their views. A consultation was conducted and included issues:

1. The 2019-20 funding formula;
2. Retaining a MFG of 0%, or reducing it to minus 1.5%;
3. Use of any "Headroom" monies;

3.11.3 The consultation included a number of funding formula models to consider. These included retaining the current formula, moving directly to the NFF, and 3 transitional formulas, each adopting one of the major changes of the NFF.

The most favoured formula in the consultation was a transitional formula, which was Wirral's current formula but with National Funding Formula values for Low Prior Attainment. This view was endorsed by Schools Forum on 7th November 2018.

The majority of responses (65%) supported retaining a 0% MFG, which would mean no school could lose per pupil funding compared to 2018-19. However, Schools Forum supported an MFG of minus 1.5% MFG, meaning schools could lose up to 1.5% per pupil funding compared to 2018-19.

3.11.4 Following subsequent feedback from Cabinet members, a revised formula has therefore been developed which adds an additional factor to ensure schools receive the minimum per pupil funding levels in the NFF (£3,500 for primary schools and £4,800 for secondary schools).

The schools budget also proposes a MFG of 0% for Wirral schools in 2019-20, which will provide additional protection and stability in funding and ensures no

school loses per pupil funding compared to 2018-19 budget allocations. It therefore ensures that no pupil is disadvantaged as a result of the change to the funding formula.

This revised formula was presented to Schools Forum on 16th January 2019 and was received positively.

3.11.5 It was the Schools Forum's view that de-delegated services, such as Schools Library Service, should continue to be offered as part of the schools budget in 2019-20 with the exception of Free School Meals eligibility, and that the funding to support former Council Education Services is maintained and increased.

3.12 **CHANGES TO THE EARLY YEARS FUNDING FORMULA**

No changes to the Early Years Funding Formula are proposed.

4.0 FINANCIAL IMPLICATIONS

4.1 The budget for 2019/20 is compiled from the base budget for 2018/19 approved by Council on 5th March 2018 and updated for any issues identified in this report. The projected Schools budget is £267,661,400 and is shown in appendices 1 and 2.

4.2 The pressures described on High Needs budgets are reflected nationally, and will result in an in-year deficit of £2,343,200 on the DSG budget.

4.3 Wirral has commissioned independent advisors to carry out an in-depth review of SEN provision, with the objective of reallocating DSG resources to meet need and to prevent future overspends. Any resulting changes however, will not impact the budget until 2020-21.

5.0 LEGAL IMPLICATIONS

5.1 The Council is required to agree a Budget for 2019/20 and to inform Primary and Secondary Schools of their individual budget allocations by 28 February (Special Schools and Early Years providers by 31 March).

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 The Schools Budget makes some limited provision for staff providing support to schools, mainly within budgets for Special Education Needs and Disabilities. Most staff however are employed directly by schools where these decisions are made by governing bodies.

6.2 Schools continue to receive some funding for assets and ICT through Formula Capital Grant Allocations. Most asset funding is directed through the Council's Capital Programme and includes school schemes funded by capital grant allocations for Condition and Basic Need.

7.0 RELEVANT RISKS

7.1 There are increasing cost pressures in schools arising from additional costs from pay awards and inflation, which will not be met in their entirety from increased budget allocations; instead they will need to be found from efficiency savings. These cost pressures are causing significant difficulties for schools across the country and Wirral is no exception.

7.2 Reports to the Schools Forum indicate that a number of schools are facing deficit budgets. Action is being taken to address the position with those schools and governing bodies concerned.

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultations with Headteachers and governors have been carried out regarding changes to the Schools funding formulae, and Schools Forum have supported the proposed budget.

8.2 Schools Forum however believe that schools and the Dedicated Schools Grant is underfunded by the Government, and that there is not enough money to support mainstream or High Needs pupils in Wirral in light of increasing pressures. The Chair of the Schools Forum will write to the Secretary of State for Education to express this view.

9.0 EQUALITY IMPLICATIONS

9.1 The budget and proposals contained in this report are supported by an Equality Impact Assessment.

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APPENDICES Appendix 1 – Schools Budget Changes 2019-20
Appendix 2 – Schools Budget 2019-20

SUBJECT HISTORY

Council Meeting	Date
Schools Forum – School Budget Report 2019/20	16th January 2019
Cabinet – School Budget 2018/19	19th February 2018
Schools Forum – School Budget Report 2018/19	17th January 2018
Cabinet – School Budget 2017/18	20th February 2017
Schools Forum – School Budget Report 2017/18	18th January 2017
Cabinet – School Budget 2016/17	22nd February 2016
Schools Forum – School Budget Report 2016/17	13th January 2016

Appendix 1 - Schools Budget changes 2019-20

	£'000
Dedicated Schools Grant	264,166
Schools adj base budget	171,418
Add back 18-19 Academy & High Needs	86,761
	258,180
Change in ISB costs	
Net rising rolls	2,099
Rates and rents	95
Add back 18-19 Schools Block 0.5% top-slice	993
PFI affordability gap increase	121
Headroom	1,922
High Needs places	735
Early Years DAF increase	6
Early Years pupil numbers (3/4s)	914
Early Years pupil numbers (2s)	62
	6,947
Changes in SEN / High Needs	
Remove 18-19 Schools Block 0.5% top-slice	(993)
High Needs Contingency increase	30
EHCPs / IPFAs - additional needs	1,434
Top-up numbers/bands:	
AP	2
Bases	314
Special Schools	792
Further Education & Sixth Form	754
High Needs Inflation:	
	2,332
Other changes in central costs	
Increase PFI contracts (inflation)	189
Increase licence and subscription changes	14
	203
Total Schools Expenditure	**267,661**
Net Schools Budget 2018-19	**3,496**
Local Authority	1,153
High Needs in year deficit	2,343
	3,496

Appendix 2 - Schools Budget 2019-20

	Adj Estimate 2018-19	Base Estimate 2019-20
Individual Schools Budget	**£**	**£**
Primary	91,071,100	103,507,100
Secondary	22,004,300	99,383,400
Special	8,964,400	10,751,700
Wirral Hospital Schools	1,354,300	1,359,100
SEN Bases	1,012,000	1,647,000
Alternative Provision	0	883,300
6th Form / Further Education	0	1,318,500
Early Years	20,155,100	21,137,200
Individual Schools Budget Total	**144,561,200**	**239,987,300**
Central School Costs		
Early Years	518,700	518,700
Admissions	372,200	372,200
School Closure / Retirement Costs	60,000	60,000
Licenses and subscriptions	233,100	246,600
Schools Forum	10,600	10,600
Contribution to combined budgets	875,600	875,600
PFI Affordability Gap	963,400	1,152,700
Retained duties (ex-ESG)	730,000	730,000
Costs delegated to / de-delegated from schools		
Library service	180,900	0
Insurances	27,500	0
School Specific contingencies	95,800	0
Special Staff costs	647,700	0
School meals	19,300	0
Behaviour Support	81,300	0
School Improvement	166,100	0
General duties (ex-ESG)	499,300	0
High Needs pupils		
Statements	4,280,800	5,715,100
SEN top-ups	9,691,400	11,552,400
High Needs contingency	279,900	310,000
Independent Special Schools	3,700,000	3,700,000
High Needs Review (top-slice)	993,300	0
Home Tuition	400,500	400,500
Support for SEN	1,971,500	1,971,500
Special School Transport	58,200	58,200
Non-delegated school costs total	**26,857,100**	**27,674,100**
Total School and Central costs	**171,418,300**	**267,661,400**
Dedicated Schools Grant	**(170,428,000)**	**(264,165,500)**
In year High Needs deficit	0	(2,343,200)
and Total	**990,300**	**1,152,700**

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WIRRAL

COUNCILLOR PHIL DAVIES

CABINET

18 FEBRUARY 2019

CAPITAL PROGRAMME AND FINANCING 2019/23

Councillor Phil Davies (Leader of the Council) said:

"The Capital Programme is a key document that sets out the Council's medium to long term ambition. As the Medium Term Financial Strategy sets out the plans for revenue, the capital programme describes the strategic plan for economic growth, digitalisation and the use of assets and how these will support the Council to achieve its objectives.

An extensive and long term capital programme is the key to prevention, better run services and a reduced revenue commitment over time. Significant investment in assets will enable those assets to be used more efficiently and effectively and where there is a need, to generate a revenue return to support the revenue budget and replace the grant funding we have lost.

Our Capital Programme is about investing in Wirral's future – it will help us meet our financial challenge by generating additional income through seeking investment opportunities and realising major savings by supporting transformation projects to redesign how services are delivered."

REPORT SUMMARY

This report provides Cabinet with the draft Capital Programme 2019/23 for consideration and referral to Council for approval. It also includes information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts.

The 2019/23 Capital Programme represents a combination of schemes originally approved as part of the 2018/21 Programme, updated through the Capital Monitoring reports in 2018/19 and new bids for inclusion as detailed in this report.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

1. That the new bids as detailed in Appendix 2 requiring £30.4 million borrowing be approved for inclusion in the Capital Programme.

2. That the bids referred to in paragraphs 6.4.1 to 6.4.5 are included in the programme but where specified, are deferred to a later commencement date, on an individual basis, in recognition of an ongoing review.

3. That any new bids supported by grant funding do not commence until written confirmation has been received from the granting authority.

4. That Cabinet recommend to Council for approval the Capital Programme 2019/23 (as detailed in Appendix 3).

5. That progress on delivering the Capital Programme is presented in accordance with the agreed Capital Monitoring arrangements.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The purpose of the Capital Programme is to transform the way it operates in the medium to long term by taking opportunities from investment in digitalisation, assistive technology and a modern and efficient asset portfolio. This will enable the Council to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.

1.2 Links to the revenue budget ensure that revenue funding is provided to meet the financing costs, and any running costs, as a result of the Capital Programme investment.

2.0 OTHER OPTIONS CONSIDERED

2.1 For a scheme to be included in the Capital Programme it must be supported by a Business Case which includes consideration of alternative options and has been reviewed by the Assets and Capital Group (ACG) and in some circumstances, the Investment & Change Board (ICB)

3.0 BACKGROUND INFORMATION

CAPITAL PROGRAMME

3.1 The Capital Programme is a key document that sets out the Council's medium to long term ambition. As the Medium Term Financial Strategy sets out the plans for revenue, the capital programme describes the strategic plan for economic growth, digitalisation and the use of assets and how these will support the Council to achieve its objectives.

3.2 An extensive and long term capital programme is the key to prevention, better run services and a reduced revenue commitment over time. Significant investment in assets will enable those assets to be used more efficiently and effectively and where there is a need, to generate a revenue return to support the revenue budget.

3.3 The way the council transacts with staff, residents and business has changed and will continue to do so at pace over the next 5 years. Worksmart presents an opportunity for staff to work in different ways and from anywhere to be able to reach-out to customers when it is convenient for them. Not all our customers are able to transact with the Council during normal business hours but investing in technology to enable them to do this whenever suits them provides for a more enhanced customer journey and to transact with the Council only once, to a satisfactory conclusion. The windows 10 rollout has been accelerated in 2019/20 to support this.

3.4 We are currently in the process of compiling our digital strategy. This will map the digital interaction within and outside the Council and provide a roadmap as to the Council's digital ambition over the medium to long term. The strategy will

provide a tool for the removal of human intervention as much as possible to ensure our systems and processes are fit for purpose into the future. A significant element of this is our critical business systems replacement which will see our internal systems for finance, HR, Procurement, Payroll etc replaced with a smarter integrated Enterprise Resource Planning (ERP) system

3.5 Capital planning is one of the main drivers in future cost avoidance. With a population with more complex needs we have an opportunity to explore how we can support people to remain independent at an earlier stage and for longer with smart technology. By using insight and intelligence we can predict with more certainty where capital funding can be targeted to support those to support themselves. By investing early on in things like smart homes this will not only see a reduction in reactive revenue costs in future years but will provide an opportunity for people to remain independent for longer.

3.6 Over the term of the last Capital Programme there has been significant investment in regeneration to support economic growth. The strategic acquisitions programme has enabled the Council to acquire key sites in the Borough to support the longer term ambition for economic growth and housing. Capital funding is a key deliverable to regenerating the borough over the next decade. The Council's partnership with Wirral Growth Company will see significant investment right across the borough that will enable revenue income to be received that will replace lost grant funding and enable vital services to continue to be provided. As developments start to take shape, further income will be realised from new homes and new businesses in council tax and business rates which in turn will be re-invested to grow the local economy. Capital funding is the catalyst to making this happen.

3.7 The capital programme does not stand alone. It is intrinsically linked to a suite of other documents which together will enable the achievement of the Council's long term strategic ambition. These are:

3.8 The Strategic Asset Management Plan which sets out how the council and its partners will make the best use of its buildings and land in the future;

3.9 The Economic Growth Strategy which sets out the ambition for the regeneration and redevelopment of the Borough in conjunction with support from the Liverpool City Region;

3.10 Wirral Together which is the way we engage with communities and neighbourhoods to enable them to help themselves through activities such as community wealth building, community asset transfer, volunteering and financial support;

3.11 Healthy Wirral Partnership to ensure we can support communities to stay independent and take care of themselves earlier.

3.12 The Treasury Management Strategy which is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved;

3.13 The Commercial Strategy where ensuring that everything we do inside and outside the Council is done with a commercial mindset that will ensure we either generate a financial return or can demonstrate value for money in all activities;

3.14 The Medium Term Financial Strategy in supporting the council to remain financial sustainable by investing in cost saving and income generating projects to avoid high cost reactive activity in future years.

4.0 ASSETS AND CAPITAL GROUP (ACG)

4.1 The role of the ACG is to improve the co-ordination and management of the Capital Programme with its remit extended to include the Council's asset portfolio. The Group includes representatives from all Directorates and the Terms of Reference include:

- Develop, monitor and keep under review the Council's capital investment appraisal system;
- To assess, approve or reject capital bids in accordance with the above appraisal system;
- Ensure that all bids for capital funding are aligned to Wirral Council strategies and the Wirral 2020 Plan.

5.0 INVESTMENT AND CHANGE BOARD (ICB)

5.1 The role of the ICB is to ensure alignment of investments against corporate priorities giving due consideration to risk. Amongst its responsibilities is the development, monitoring and review of the capital investment appraisal system, providing guidance when annual bids are submitted.

6.0 CAPITAL PROGRAMME FUNDING

6.1 The Capital Programme details the schemes being undertaken over the medium term which help the Council achieve its objectives. It is aligned to the Wirral Plan and Medium Term Financial Strategy. It is reviewed, updated and considered by Council each year as part of the annual budget setting process.

6.2 Government announcements may include grant support for specific themes but other investment is based upon affordability. The Autumn Statement 2015 introduced an additional flexibility as receipts generated between 1 April 2016 and 31 March 2019 can be used to fund Transformation Programmes. This was extended until March 2022. For now it has been assumed that any new bids will be funded from borrowing which would enable any capital receipts to be used in funding further transformation projects should the need arise.

NEW SUBMISSIONS

6.3 Each scheme is supported by a business case which enables an assessment to be undertaken to ensure that it is either targeted to Council priority areas or fulfils statutory obligations. Individual bids have been scrutinised by a sub group of the ACG, a number of specific bids were reviewed by the ICB and on its behalf Business Management reviewed the leisure, libraries, parks and Floral pavilion bids.

6.4 The new capital submissions are included within Appendix 1. As part of these submission, some bids were deferred. These are:

6.4.1 New Brighton Gym Development - deferred until the operation of New Brighton marine lake has been determined;

6.4.2 Leasowe Castle Works Depot - ICB has requested a further review;

6.4.3 Central Park Compound Wallasey - defer until outcome of the feasibility study into a Super Site depot is known but any immediate health and safety issues to be funded from the Planned Preventative Maintenance budget.

6.4.4 Parks equipment and vehicles - a comparison between the cost of leasing and borrowing has been undertaken which indicates that borrowing would be the preferred option, heavily influenced by the low interest rates that are available to Councils at present. The purchase of items relating to golf courses will be deferred until their future is decided.

6.4.5 Floral Pavilion - funding will not be accessed until the theatre has been marketed for 6 months without interest.

6.5 The deferred schemes above are included in the programme and the respective financing costs have been calculated and included in the Treasury Management budgets.

2019/23 CAPITAL PROGRAMME

6.6 The 2019/23 Capital Programme represents a combination of:-

a) Schemes approved as part of the 2018/19 Programme and updated through the Capital Monitoring reports in 2018/19. The table below reflects the Quarter 3 position 2018/19.

Table 1: Capital Programme (per Quarter 3, December 2018 monitoring report)

Analysis of Capital Programme	2018/19	2019/20	2020/21
	£000	£000	£000
Adult Care & Health	1,204	6,747	0
Business Management	6,239	1,475	300
Children's Services	17,164	6,255	2,500
Delivery Services	17,600	34,495	5,792
Economic & Housing Growth	11,370	22,712	12,659
Total Expenditure	**53,577**	**71,684**	**21,251**
Financing			
Unsupported borrowing	25,466	35,084	3,648
Capital receipts	14,076	0	0
Grants/loans	14,035	30,600	7,948
Business Rates (Ring fenced)	0	6,000	9,655
Total Financing	**53,577**	**71,684**	**21,251**

b) New bids for consideration at this meeting. The emphasis has been to ensure that the bids support the delivery of the Wirral Plan and the 20 Pledges. Appendix 1 provides a brief description of each scheme. Appendix 2 provides details of the borrowing requirement and revenue implications of funding each scheme.

Table 2: New bids for inclusion in the Programme

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Adult Care & Health	185	0	0	0
Business Management	5,198	2,900	2,860	0
Delivery Services	8,016	3,166	1,360	1,811
Economic & Housing Growth	5,000	0	0	0
Total	**18,339**	**6,066**	**4,220**	**1,811**

The overall total for the new bid includes grant funding of £40,000, hence the difference between these figures and those in Appendix 2.

6.7 The proposed Capital Programme combines Tables 1 and 2 together with an estimate for grant to be received for Schools Modernisation of £2.5 million in 2021/22. The detail can be found in Appendix 3.

Table 3: Proposed Capital Programme 2019/23

Proposed Capital Programme	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Adult Care & Health	6,932	0	0	0
Business Management	6,673	3,200	2,860	0
Children's Services	6,255	2,500	2,500	0
Delivery Services	42,511	8,958	1,360	1,811
Economic & Housing Growth	27,712	12,659	0	0
Total Expenditure	**90,083**	**27,317**	**6,720**	**1,811**
Financing				
Unsupported Borrowing	53,443	9,714	4,220	1,811
Capital Receipts	0	0	0	0
Grants/loans	30,640	7,948	2,500	0
Business Rates (Ring-fenced)	6,000	9,655	0	0
Total Funding	**90,083**	**27,317**	**6,720**	**1,811**

6.8 In forecasting a 3 year Programme it is recognised that there are many variables and factors that will impact on future requirements. The Programme will be subject to regular review to ensure the most effective use of resources whilst providing the opportunity to update agreed schemes, bring forward deferred schemes as necessary and add any new schemes which will arise as new funding is identified and delivery plans are developed along with Council partners.

CAPITAL RECEIPTS

6.9 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. Table 4 assumes the proposed spend in Table 3 is agreed. Longer term projections can be updated as and when more information becomes available e.g. the interaction with the Property Company.

6.10 Additional flexibilities regarding the use of receipts were confirmed following the Chancellor's Autumn Statement 2015. Receipts generated between 1 April 2016 and 31 March 2019 can be used to fund agreed Transformation Programmes setting out the projects, costs and deliverable benefits/savings.

6.11 The Council's asset portfolio is constantly under review in order to highlight those assets that Members may wish to consider for disposal, a critical decision given that funding for any Transformation Programmes are reliant upon the generation of capital receipts.

Table 4: Projected Capital Receipts position

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Capital Receipts Reserve	1,672	1,201	4,878	4,878	4,878
Cash receipts received to date	1,419	-	-	-	-
Anticipated receipts	12,186	5,177	-	-	-
Required to fund Children's improvement programme	(11,100)	-	-	-	-
Required to fund Transformation schemes	0	(1,500)	-	-	-
Required to fund EVR/VS scheme	(2,500)	-	-	-	-
Required to fund capital programme	(476)	-	-	-	-
Closing Balance	1,201	4,878	4,878	4,878	4,878

Receipts, and their utilisation, for 2020/23 onward are still to be determined.

7.0 FINANCIAL IMPLICATIONS

7.1 The proposed 2019/23 Capital Programme is a combination of the currently approved Capital Programme, new bids and estimated Children's grant. As the Programme stands this will require £69.2 million unsupported borrowing from 2019/20 to 2021/23.

7.2 The revenue borrowing costs associated with any re-profiled schemes had already been included in the 2018/19 and subsequent revenue budgets and therefore do not represent an additional requirement.

7.3 The expenditure and funding of the Capital Programme are linked to Treasury Management. With the low interest available for investments the policy of temporary borrowing from positive internal cash flows has been continued. This policy, and the re-profiling of the Programme, defers the need for external borrowing delivering in-year savings but is not sustainable in the medium term. Where advantageous short term borrowing will be used to fund the programme.

7.4 The revenue impact of the additional borrowing required to fund all the new bids, including those that it is proposed to defer, is:

Table 6: Additional financing costs to fund new bids

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Additional revenue cost	124	1,430	2,072	2,575

7.5 It is estimated that these costs will peak in 2024/15 at £2.8 million reflecting the fact that the principal repayment associated with debt (the Minimum

Revenue Provision) increases over the expected life of the asset funded from borrowing.

7.6 These projections might change during the year and the Programme and related Prudential Indicators will be updated accordingly.

8.0 LEGAL IMPLICATIONS

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

9.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

9.1 The Programme is about investment into the Council assets so does include schemes relating to IT and assets.

10.0 RELEVANT RISKS

10.1 The Programme will not be delivered as projected. This could see individual schemes progressing ahead of, or being behind, the projected timetable. The regular monitoring and reporting of the Programme allows actions to be taken to manage the financial position.

10.2 Capital receipts are below the level estimated. Regular reporting to ACG on progress of asset disposals allows the Capital Programme to be reviewed should this eventuality arise.

10.3 Interest rates increase to a level greater than budgeted for. Regular monitoring of economic forecasts should assist in determining the best time to borrow to fund the Programme.

11.0 ENGAGEMENT/CONSULTATION

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

12.0 EQUALITY IMPLICATIONS

12.1 There are none arising directly from this report as they will be identified as each scheme is progressed. Individual schemes within the Programme will have a direct impact upon groups for example the Aids and Adaptations investment within Regeneration.

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APPENDICES

Appendix 1 – Capital Bids for the 2019/20 to 2021/23 Capital Programme
Appendix 2 – Financial Summary of Capital Bids
Appendix 3 – Proposed Capital Programme 2019/20 to 2021/23.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Capital Programme 2017/20	20 February 2017
Council – Capital Programme 2017/20	6 March 2017
Cabinet / Council - Capital Monitoring 2017/18	Quarterly reports

APPENDIX 1

Capital Bids for the 2019/20 to 2022/23 Capital Programme

65 The Village (Capital bid £175,000)

The Joseph Mayer Trust, who operate Mayer Hall, have plans to expand their operation and community involvement and would welcome the opportunity to manage 65 The Village, they do not however have the funds required to refurbish the building up to a fit for purpose condition. The council would look to run a joint venture with the JMT whereby the council funds the refurbishment which would include a cafeteria and food outlet and would over a period pay back the initial capital cost of refurbishment.

Adult Social Care and Health Systems (Capital bid £185,000)

The Council has already agreed to the purchase of Power BI, (a business analytics service). This funding represents a continuation of the project. It is crucial in the delivery of the demands for integrated reporting and effective analysis of data, allowing improved decisions to be made, through predictive modelling and population health analysis. Crucially this approach will eliminate existing deficiencies in partnership working which exist around consistency and timeliness of reporting. This will enable an integrated approach to vital analysis work which will vastly reduce the risk of missed opportunities for intervention around these crucial Adult Care and Health work streams.

Library Refurbishment

Vision for Wirral Libraries is that we: "Provide first rate digital, creative and cultural opportunities for our residents, creating vibrant community hubs to enhance community belonging and wellbeing"

A number of schemes are proposed to make the buildings more accessible, improve and modernise facilities, modernise IT facilities, improve the digital offer, improve the learning environment, ensure the buildings are fit for purpose (including compliance with DDA) and increase the number of activities and events provided and offered. These improvements might encourage stakeholders/partners to deliver activities and events for all residents.

Bebington Library (£253,000)
Eastham Library (Capital bid £40,000)
Moreton Library (Capital bid £71,000)
Seacombe Library (Capital bid £66,000)
Wallasey Library (Capital bid £196,000)

Aids to Navigation replacement (Capital bid £800,000 of which £217,000 is already included in the 2019/20 programme)

Three Aids to Navigation have reached the end of their serviceable life and are at risk of failure. Failure of these increases the risk to life of mariners in the Mersey Estuary, puts Wirral Council in breach of its duties under the Merchant Shipping Act 1995 and liable to prosecution for its failure to provide safe navigation.

Bebington Oval Facility Upgrade (Capital bid £775,000)

Additional capital funding is required to further enhance the facility to match the quality that was delivered in the gym, studio and café areas resulting from previous capital funding. It will also resolve health and safety concerns around the wet change area. The following work is required:

Reception upgrade; redecoration; wet change floor and drainage; sports hall re-vamp. The overall aim is to create a 'stand out' site that is multi-functional and can compete with the ever increasing number of private facilities and is affordable.

Central Park Compound and Storage (Capital bid £180,000)

The Park Rangers are now in need of storage and workshop space. 2 of the tractor units are over 40 years old. The roofs are in a dangerous condition cannot be repaired. Walls are in a similarly poor state, which has encouraged vandalism and attempted break-ins which might lead to the theft of valuable machinery. The workshops and storage units are in similar state of disrepair.

Community Bank (Capital Bid £5,000,000)

Investment will assist in re-invigorating the local economy.

Enterprise Resource Planning System (Capital bid £10,000,000)

Wirral Council operates an Oracle ERP (Enterprise Resource Planning) system to support its core financial services as well as its Customer Relationship Management (CRM). A recent internal audit report concluded that the system is not fit for purpose. In addition, system functionalities do not comply with General Data Protection Regulation (GDPR). If the Council were to be penalised due to a GDPR breach, then it could be fined up to either 4% net expenditure or £20 million. Procurement of a new ERP system could be done in 3 phases concentrating on financial systems in phase 1, followed by payroll and HR with phase 3 to be confirmed. At this stage the bid is very much an estimate, to determine the cost of an ERP solution would require a formal procurement exercise.

Fitness Equipment Upgrade (Capital bid £340,000)

This is an opportunity to reduce the overall deficit within the service by increasing membership and income. It will also improve facilities, and improve our competitive advantage over the ever increasing number of stand-alone/private operators on the Wirral. The focus is on the following areas:

Leasowe

Ageing equipment needs updating and replacement to ensure business growth and membership retention. There are opportunities for new services and facilities to appeal to different user groups.

West Kirby

Modernisation of the equipment and upgrade to take on board improvements in technology and customer communication through fitness tracking.

Guinea Gap

Replace underutilised equipment and upgrade requirement to take on board improvements in technology and improve retention levels following a re-build in 2015.

Floral Pavilion (Capital bid £190,000)

With recent proposals being moved forward it is important that remedial works are undertaken to ensure the venue looks as attractive as possible to potential alternative operators. It is proposed to undertake work to the flooring on the lower ground floor, toilet water supply, box office service (including a print on site web site for tickets ordered) and modernise external lighting.

Highway Maintenance Unclassified Roads (Capital bid £500,000)

The provision of a maintained and safe highway network is a statutory duty. The annual United Kingdom Pavement Management System (2018/19) condition survey, and the Councils own Serviceability Inspection regime, have identified sections, totalling 9%, of the Wirral Unclassified and Residential Road Network as being in need of significant repair to prevent further deterioration. This represents a 50% increase in the level of deterioration since 2017/18. This project will also reduce the risk of and number of road traffic accidents, slip trip and fall claims made within these areas, measurable as a reduction in successful Insurance Claims made against the Council.

Leasowe Castle Works Depot (Capital bid £40,000)

The roof of the larger shed is rotted and in need of full replacement. Various assessments of the roof have previously been undertaken without being able to suggest how it could be repaired.

Leasowe Leisure Centre/Wirral Evolutions (Capital bid £2,000,000)

This is a joint venture between Leisure Services and Wirral Evolutions, involving the re-provision and relocation of day care facilities for people with learning and physical disabilities who currently access the provision at Cambridge Road Day Centre. The project proposal is to build a bespoke multi-purpose facility at the rear of Leasowe leisure centre for use by the day care customers during the day (Monday to Friday) and leisure centre customers at all other times. This project would maximise both economic and social impact. Firstly, a number of revenue streams for the service based around increased use, membership sales, growth and income generation through secondary spend and catering. Secondly, widening the horizons for people with learning and physical disabilities in Wirral.

Legislative Compliance (Capital bid £350,000)

The Health and Safety Executive (HSE) has stepped up a programme of inspections across a number of Legislative Compliance areas, specifically linked to Fire Safety in buildings, control of Legionella and management of Asbestos. The penalties for breaches of regulations range from prohibition notices through to being jailed for serious breaches and corporate manslaughter charges. In order to avoid this our work needs to be more proactive and eliminate risks rather than just managing these. It should involve asset replacement as opposed to simply repair e.g. install a new water tank as opposed to cleaning and chlorinating.

Levers Sports Pavilion (Capital bid £80,000)

The pavilion is approximately 25 years old. Heavy use and a lack of maintenance over the years are having a detrimental effect on its functionality and appearance. Usage likely to suffer with a reduction in income generated. This can be prevented by investing in the changing facilities and toilet blocks.

Monks Ferry Slipway (Capital bid £40,000)

Members of the Mersey Charter-boat owners and other users of the Monks Ferry Slipway have applied to have this dedicated as a public footpath. Although the Council contests this application it has agreed to work with the users possibly through a licensing process for to sanction authorised use of the slipway for certain recreational purposes. Consequently to allow this to happen the surface of the slipway requires replacing.

Moreton Sandbrook Estate Drainage Improvements (Capital bid £500,000)

Since 2012 numerous complaints have been received regarding footway flooding. Residents are unable to access the front of their properties because the footway is impassable at many times. Freezing of the flood water occurs creating an additional health and safety issue for residents. There is no formal active system of footway drainage on the estate. The Council has a statutory duty under the Highways Act 1980 to maintain the public highway and also the highway drainage system. The scheme is to design a solution to alleviate footway flooding and construct / install the designed drainage solutions.

New Brighton Gym Development (Capital bid £162,000)

Purchase new equipment for a 'pop up' style gym. Refurbish the existing building for which a rental of £20,000 p.a. is paid. An independent latent demand exercise indicates that there is a potential for 966 members at this facility. Develop a seasonal outdoor pursuit centre from the ground floor of the facility. If successful could generate a surplus of £50,000 p.a. as opposed to the current cost of £20,000.

North Wirral Coastal Park (Capital bid £240,000)

The road that runs alongside Leasowe Common from Pasture Road to Leasowe lighthouse is in a very poor condition. There are lots of very worn areas and ruts along the road. In areas the base course tarmac has been exposed. If the road is not resurfaced soon then it will become a lot more costly as the base tarmac will also need renewing. Gunsite car park improvements - due to the nature of having a loose surface in the car park the surface is often full of potholes. Both areas represent a tripping hazard and risk causing damage to cars which in turn increases the risk of insurance claims against the Council.

Parks Countryside DDA (Capital bid £480,000)

The Council is failing to comply with DDA requirements and at risk of being challenged because of this. This project will remedy a number of identified sites and will also incorporate related works which will control existing health and safety hazards that pose a risk to employees and public at these sites. Some examples of work that needs to be done:

North Wirral Coastal Park - DDA compliant graded ramp; construction of a new energy efficient building to house machinery as opposed to it being stored in old and

unsafe shipping containers; Royden Park - renovate toilet block including ramped access to be DDA compliant; Victoria Park - improve access to cricket pavilion; Coronation Park - renovate toilet block and improve lighting.

Parks Machinery (Capital bid £4,309,000)
Aging fleet leads to high maintenance costs and as manufacturers no longer produce spare parts it is becoming harder to undertake repairs. Operator safety is also now a major concern as the risks of hand arm vibration and whole of body vibration along with noise levels have been highlighted by several reports by the Health and Safety executive and we now have a legal obligation to reduce risks wherever possible. Operators are only able to use many machines for a very limited amount of time due to vibration levels. The old designs also waste fuel and are not environmentally friendly compared to modern equipment. The intention is to replace a tranche of tractors, mowers and ancillary equipment over a three year period which will improve productivity, operator safety and lower emissions.

Parks Vehicles (Capital bid £1,071,000)
Age ranges from 4 to 13 years. Renewal of the fleet is required to keep up with latest technology in vehicles and reduce harmful emissions in line with Council and Government policy. Generally, the fleet is becoming more expensive to maintain and repair is often an uneconomical option once they pass 5 years old. Replacing the fleet would therefore minimise the current associated hire costs for temporary vehicles, increase productivity and provide a safer working environment for parks and countryside staff.

Play Area Improvements (Capital bid £925,000 of which £40,000 from grants)
Enhance existing assets, improving their play value extending their lifecycle and relieve pressure on maintenance budgets and workloads and reduce the likelihood of public liability claims. It provides better more attractive places for children to play, be active and socially interact. Improvements have been undertaken at 10 sites in the first year (2018/19) of the funding programme and this bid is to enable its continuation for a further 3 years, as part of an overall 7 year programme.

Solar Campus Phase 2 – Club and community pitch facilities (Capital bid £375,000)
This is a continuation of the project devised to relocate Tranmere FC's training facilities from Ingleborough Road to the Council's Solar Campus facility and will be matched by the same amount of funding from Tranmere. Phase 2 is an all-weather 3G pitch to be jointly used by club and community and is part of The Tranmere Campus Project and the Wirral Local Football Facility Plan as produced by the Football Foundation and the FA.

Town Link Viaduct Carriageway reconstruction (Capital Bid £332,000)
A bid for funding through the Combined Authority, Local Growth Fund (Key Route Network) was previously submitted. Since the submission the rate and level of deterioration to the viaduct surfacing and underlying waterproofing has increased and the estimated cost of the repair works can no longer be borne by that scheme. Although the re-development proposals for this part of Birkenhead include its demolition until that decision is made the viaduct will continue to be an important part of the Council's classified road network and should be maintained accordingly.

Treasury and Hamilton Data Centre migration (Capital bid £500,000)
There is still a second (Disaster Recovery) datacentre located within the Treasury building and a third datacentre located in the Hamilton Building which provides services to schools. Both buildings are currently within the Wirral Growth Company plans for redevelopment which will require these datacentres to be migrated to another datacentre.

Woodchurch Road Highway Drainage Improvements (Capital bid £80,000)
There is a requirement for the Council, as Highway Authority, to comply with its statutory obligations by investigating and developing measures to resolve ongoing highway flooding issues at Woodchurch Road. Since 2010, 24 instances of reactive call-outs to remove flood water to allow safe flow of traffic have been recorded. Recent significant flood events (July 2017 and September 2015) have resulted into investigation into cause, type and extent of flooding. The Action Plan to the investigation report for July 2017 identified the following recommendation:
Woodchurch Road – Wirral Council to develop and submit a capital funding bid to investigate and resolve ongoing highway flooding issues. The Report and Action Plan were approved by the Cabinet Member for Environment on 26/03/2018.

Worksmart Information Technology. (Capital bid £458,000)
Monitors & USC-B Adaptors will support the standardisation of office workstations to ensure that desk sharing is maximised;
Headsets and SoftPhones will enable the workforce to effectively engage in virtual communications and meetings and will support a reduction in travel and reduce the requirements for office and meeting spaces.
Room Booking Solution will provide an online corporate booking system that can be used by Council staff, partners and members of the public to directly book and pay for meeting and event space.

APPENDIX 2

Financial Summary of Capital Bids

Description	Borrowing Required £000	Revenue Cost 2019/20 £000	Revenue Cost 2020/21 £000	Revenue Cost 2021/22 £000	Revenue Cost 2022/23 £000
65 The Village	175	1.2	6.0	6.1	6.2
Adult Social Care and Health Systems	185	1.2	37.9	38.7	39.5
Bebington Library	253	1.7	13.0	13.3	13.6
Eastham Library	40	0.3	2.0	2.1	2.1
Moreton Library	71	0.5	3.7	3.7	3.8
Seacombe Library	66	0.5	3.4	3.5	3.5
Wallasey Library	196	1.3	10.0	10.3	10.5
Aids to Navigation replacement	583	3.9	12.5	12.7	12.8
Bebington Oval Facility Upgrade	775	3.4	27.6	40.4	41.2
Central Park Compound and Storage	180	-	1.2	6.2	6.3
Community Bank	5,000	33.7	171.3	174.5	177.8
Enterprise Resource Planning System	10,000	29.3	467.0	772.9	1,071.5
Fitness Equipment Upgrade	340	2.3	69.7	71.1	72.6
Floral Pavilion	190	1.3	9.8	10.0	10.2
Highway Maintenance Unclassified Roads	500	3.4	25.7	26.3	26.8
Leasowe Castle Works Depot	40	0.3	1.4	1.4	1.4
Leasowe Leisure Centre/Wirral Evolutions	2,000	6.8	41.0	69.2	70.5
Legislative Compliance	350	1.4	14.8	21.7	22.2
Levers Sports Pavilion	80	0.5	5.5	5.6	5.7
Monks Ferry Slipway	40	0.3	2.1	2.1	2.1
Moreton Sandbrook Estate Drainage Improvements	500	0.5	3.5	9.6	14.4
New Brighton Gym Development	162	-	1.1	16.7	17.1

Description	Borrowing Required £000	Revenue Cost 2019/20 £000	Revenue Cost 2020/21 £000	Revenue Cost 2021/22 £000	Revenue Cost 2022/23 £000
North Wirral Coastal Park	240	1.6	12.3	12.6	12.9
Parks and Countryside DDA	480	3.2	33.0	33.7	34.4
Parks Machinery	4,309	8.9	173.4	238.0	388.1
Parks Vehicles	1,071	3.7	116.7	221.9	226.4
Planning System					
Play Area Improvements	700	1.6	32.5	64.5	94.9
Solar Campus 3G	375	2.5	51.0	51.6	52.1
Town Link Viaduct	332	2.2	7.2	7.3	7.4
Treasury and Hamilton Data Centre migration	500	3.4	51.6	52.7	53.8
Woodchurch Rd Drainage	80	0.5	4.1	4.2	4.3
Worksmart Information Technology	458	2.4	18.9	67.7	69.0
	30,456	**123.8**	**1,430.9**	**2,072.3**	**2,575.1**

PROPOSED CAPITAL PROGRAMME 2019/20 TO 2021/23 **APPENDIX 3**

	2019/20	2020/21	2021/22	2022/23
SUMMARY	**£000**	**£000**	**£000**	**£000**
Overall Programme				
Adult Care and Health	6,932	-	-	-
Business Management	6,673	3,200	2,860	-
Childrens Services	6,255	2,500	2,500	-
Delivery Services	42,511	8,958	1,360	1,811
Economic and Housing Growth	27,712	12,659	-	-
Total Programme	**90,083**	**27,317**	**6,720**	**1,811**
Funding				
Unsupported borrowing	53,443	9,714	4,220	1,811
Capital Receipts	-	-	-	-
Grants/loans	30,640	7,948	2,500	-
Business Rates (Wirral Waters only - ringfenced)	6,000	9,655	-	-
Total Resources	**90,083**	**27,317**	**6,720**	**1,811**

	2019/20	2020/21	2021/22	2022/23
Adult Care and Health	**£000**	**£000**	**£000**	**£000**
Adult Social Care and Health Systems	185	-	-	-
Assistive Technology	125	-	-	-
Community Intermediate Care	500	-	-	-
Citizen & Provider Portal/Integrated I.T.	302	-	-	-
Extra Care Housing	2,560	-	-	-
Heswall Day Centre	260	-	-	-
LD Extra care Housing	3,000	-	-	-
Total Programme	**6,932**	**-**	**-**	**-**
Business Management				
Digital Corporate Storage	1,225	300	-	-
Enterprise Resource Planning	4,340	2,800	2,860	-
Treasury and Hamilton Data Centres	500	-	-	-
Windows 10 Rollout	250	-	-	-
Worksmart I.T.	358	100	-	-
Total Programme	**6,673**	**3,200**	**2,860**	**-**

	2019/20	2020/21	2021/22	2022/23
Childrens Services	**£000**	**£000**	**£000**	**£000**
Basic Needs	577	-	-	-
Condition/modernisation	3,443	2,500	2,500	-
CYPD Systems Improvements to Support Partnership Working	51	-	-	-
Family Support	157	-	-	-
Primary Places	1,942	-	-	-
PFI	85	-	-	-
Total Programme	**6,255**	**2,500**	**2,500**	**-**
Delivery Services				
Highway Maintenance	3,200	-	-	-
Highway Maintenance Unclassified Roads	1,965	-	-	-
Transport for Growth	557	-	-	-
Cleveland St Transport Depot	310	-	-	-
Bridges	551	-	-	-
Dock Bridges Replacement	552	-	-	-
Key Route Network (LGF3) - operate key roads efficiently	2,649	361	-	-
Key Route Network - structural maintenance	315	-	-	-
LED Street Lighting Replacement/Column Replacement/Repair	7,102	3,897	-	-
Illuminated Lighting/Street Signage	250	250	-	-
Major infrastructure Development & Strategic Transport Traffic			-	-
Management	360	200	-	-
Tower Rd National Productivity Investment Fund	2,700	-	-	-
Sustainable Transport Enhancement Package (STEP)	393	1,045	-	-
West Kirby Flood Alleviation	2,854	-	-	-
Surface Water Management Scheme	100	-	-	-
Highways Asset Management System	84	-	-	

	2019/20	2020/21	2021/22	2022/23
Delivery Services (continued)	**£000**	**£000**	**£000**	**£000**
Aids to Navigation	800	-	-	-
Soft Play Areas Leisure Centres	410	-	-	-
Leasowe Leisure Outdoor 3G	1,118	-	-	-
Arrowe Country Park - New Machine Shed & Washbay	200	-	-	-
Arrowe Country Park - Re-surfacing, Material bays & Electronic		-	-	-
Entrance Barrier	50	-	-	-
Beechwood Recreation Centre	280	-	-	-
Birkenhead Park Depot Re-surfacing	41	-	-	-
Hoylake Golf Works Depot - Demolish & Replace	110	-	-	-
West Kirby Concourse/Guinea Gap Reception				-
Upgrade/Improvements	360	-	-	-
Wirral Tennis Centre Facility Upgrade	780	-		-
Williamson Art Gallery Catalogue	55	-	-	-
Pool Covers	145	-	-	-
Play Area Improvements	340	240	220	185
Aids, Adaptations & DFGs	5,834	-	-	-
Restore Empty Homes	242	-	-	-
New House Building Programme	231	-	-	-
Clearance	350	-	-	-
Home Improvements	570	-	-	-
65 The Village	175	-	-	-
Bebington Library	253	-	-	-
Bebington Oval Facility Upgrade	500	275	-	-
Eastham Library	40	-	-	-
Fitness Equipment	340	-	-	-
Floral Pavilion	190	-	-	-
Leasowe Castle Depot	40	-	-	-
Leasowe Leisure Centre/Wirral Evolutions	1,000	1,000	-	-
Legislative Compliance	200	150	-	-

	2019/20	2020/21	2021/22	2022/23
Delivery Services (continued)	**£000**	**£000**	**£000**	**£000**
Levers Sports Pavilion	80	-	-	-
Monks Ferry Slipway	40	-	-	-
Moreton Library	71	-	-	-
Moreton Sandbrook Estate Drainage	80	210	210	-
New Brighton Gym Equipment	-	162	-	-
North West Coastal Park	240	-	-	-
Parks and Countryside DDA	480	-	-	-
Parks Machinery	1,323	430	930	1,626
Parks Vehicles	552	519	-	-
Central Park Compound	-	180	-	-
Seacombe Library	66	-	-	-
Solar Campus 3G	375	-	-	-
Town Link Viaduct	332	-	-	-
Wallasey Library	196	-	-	-
Woodchurch Rd Drainage	80	-	-	-
Total Programme	**42,511**	**8,958**	**1,360**	**1,811**

	2019/20	2020/21	2021/22	2022/23
Economic and Housing Growth	**£000**	**£000**	**£000**	**£000**
Business Investment Fund	1,306	-	-	-
Community Bank	5,000	-	-	-
Housing Infrastructure Fund	1,000	-	-	-
Housing Infrastructure Marginal Viability Fund	3,000	3,004	-	-
Investment in Properties	11,406	-	-	-
Wirral Waters Investment Fund	6,000	9,655	-	-
Total Programme	**27,712**	**12,659**	**-**	**-**

WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **18 FEBRUARY 2019** **CAPITAL FINANCING STRATEGY 2019/20**

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

"Our capital programme over the medium to long term provides for an ambitious outlook for the borough. Investment and growth feature heavily and are key drivers to improving the economic outlook and generating income to replace the grant funding we have lost and will continue to lose to 2020 as a result of government cuts.

The capital financing strategy sets out our intention for borrowing and our capital financing requirement to enable us to manage and monitor a robust capital programme to 2022/23.

The flexible use of capital receipts is a key enabler in supporting us to significantly transform and improve our services for the better over the long term as this will provide vital one off investment to completely reshape the way we provide services to avoid increasing reactive costs in the future."

REPORT SUMMARY

The Authority's treasury management activity is underpinned by CIPFA's 2017 Code of Practice on Treasury Management ("the Code"), in which there is a new requirement for Council to approve an annual Capital Strategy. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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

RECOMMENDATIONS

1. That Members approve the Capital Strategy for 2019/20.

2. That the associated Prudential Indicators be adopted.

3 That Members note the Council's Minimum Revenue Provision policy.

4 That Members note the flexible capital receipts policy.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 In order to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of value for money, prudence, sustainability and affordability the Council should have in place a capital strategy that sets out the longer term context in which capital expenditure and investment decisions are made. It should give due consideration to both risk and reward and the impact on the achievement of priority outcomes.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

THE 2017 PRUDENTIAL CODE OF PRACTICE

3.1 The Code has introduced the requirement for a new report, the Capital Strategy 2019/20, to be approved by Council. The intention is to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

CAPITAL EXPENDITURE AND FINANCING

3.2 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

Comparative expenditure figures are shown below and as can be seen in 2019/20, the Council is planning capital expenditure of £84.7 million.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	**£000**	**£000**	**£000**	**£000**
General Schemes	37,865	43,797	72,371	27,317	6,720
Capital Investments	8,991	9,780	12,712	-	-
Total	**46,856**	**53,577**	**84,738**	**27,317**	**6,720**

Table 2: Significant Schemes included in the 2019/20 Capital Programme

Scheme	£000
Street lighting column upgrade/replacement and LED replacement	7,102
Extra Care Housing	2,590
Enterprise Resource Planning System	4,340
Schools Condition/Modernisation Schemes	3,443
Highway Maintenance (including unclassified roads)	5,165
West Kirby Flood Alleviation	2,854
Aids, adaptations and Disabled Facility Grants	5,834
Housing Infrastructure Marginal Viability Fund	3,000

3.3 The Council also plans to incur £12.7 million of capital expenditure on investments. Of this £11.4 million is to support the Strategic Acquisition Programme (SAP). This aids the key economic goals and aspirations set out in the Wirral Growth Plan and Strategic Regeneration Framework (SRF). The balance of £1.3 million is for Business Investment Grants in support of inward investment and indigenous investment capital projects.

3.4 As part of the overall budget process departments are given the opportunity to put forward new schemes that will be considered for inclusion in the capital programme. A business case submission form has been devised and refined annually by the Assets and Capital Group (ACG).

3.5 This should be used for schemes relating to the following:

- Essential Health and Safety/DDA schemes;
- Invest to save schemes, including those developed with the intention of avoiding future cost pressures;
- Those considered to be of a strategic nature, as agreed with the Investment and Change Board;
- Schemes that reflect Council priorities that could have wider economic benefits, benefits for the community or wider benefits that link in with the Wirral Plan.
- For the purpose of completeness grant funded schemes.

3.6 The following will process will then apply:

- An initial review by a sub group of the Assets and Capital Group (ACG) followed by a more formal review by the ACG;
- Any schemes with I.T. implications will be referred to the Technical Design Authority (TDA) for its recommendation;
- Schemes of a strategic nature will be referred to the Investment and Change Board (ICB) for its recommendation.

An overall summary of the various recommendations is then produced for consideration by the Strategic Leadership Team (SLT). This provides the opportunity for any comment/amendment and strategic input prior to a final

report being prepared for Members consideration at Budget Cabinet for eventual consideration by Council.

3.7 Full details of the Council's capital programme are presented in a separate report to this Committee.

3.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves, capital receipts and business rates growth generated within the Enterprise Zone) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 3: Capital Financing

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	**£000**	**£000**	**£000**	**£000**
External Sources	17,763	14,035	30,640	7,948	2,500
Own Resources	10,608	14,076	6,000	9,655	-
Debt	18,485	25,466	48,443	9,714	4,220
Total	**46,856**	**53,577**	**85,083**	**27,317**	**6,720**

3.9 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as [minimum revenue provision (MRP) repayments]. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The use of capital receipts has yet to be determined for 2019/20 onward. Notwithstanding this the latest planned MRP repayments and use of capital receipts are as follows:

Table 4: Replacement of Debt Financing

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	**£000**	**£000**	**£000**	**£000**
MRP	11,776	12,354	13,103	15,128	15,983
Capital Receipts	10,419	14,076	-	-	-
Total	**22,195**	**26,430**	**13,103**	**15,128**	**15,983**

The Council's full Minimum Revenue Provision Statement is included at Appendix 1.

3.10 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £36.6 million during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

	31/3/2018 actual	31/3/2019 forecast	31/3/2020 Estimate	31/3/2021 Estimate	31/3/2022 Estimate
	£000	**£000**	**£000**	**£000**	**£000**
General Fund	330,389	332,824	359,486	355,671	350,182
Capital investments	8,697	18,332	28,250	27,983	27,709
TOTAL CFR	**339,086**	**351,156**	**387,736**	**383,654**	**377,891**

3.11 **Asset Management**

To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. The strategy sets the high level framework for managing Wirral's Public Sector land and property for the next 5 years. It has been developed to guide the collective strategic asset decisions of all partners and seeks to maximise efficiencies through a collaborative approach to the use and management of the whole asset portfolio. The Strategic Asset management Plan can be read here. https://www.wirral.gov.uk/sites/default/files/all/About%20the%20council/Wirral%20Plan/Asset%20Strategy.pdf

3.12 **Asset Disposals**

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £5.17 million of capital receipts in the coming financial year as follows:

Table 6: Capital Receipts

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	**£000**	**£000**	**£000**	**£000**
Asset Sales	6,331	13,439	5,127	TBC	TBC
Loans Repaid	204	166	50	TBC	TBC
Total	**6,535**	**13,605**	**5,177**	**-**	**-**

TBC - To be confirmed

3.13 The Council's Flexible Use of Capital Receipts Policy was approved by Budget Cabinet on 20th February 2017, as part of the Medium Term Financial Strategy 2017/21. An extract is attached at Appendix 2.

3.14 **Treasury Management**

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in

the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

3.15 Due to decisions taken in the past, the Council currently has £248 million borrowing at an average interest rate of 4% and £30 million treasury investments at an average rate of 1.0%.

3.16 **Borrowing Strategy**
The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0% to 3.0%).

3.17 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases [and transfers from local government reorganisation] are shown below, compared with the capital financing requirement (see above).

Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/2018 actual	31/3/2019 forecast	31/3/2020 Estimate	31/3/2021 Estimate	31/3/2022 Estimate
	£000	£000	£000	£000	£000
Debt	309,218	296,780	321,449	325,331	314,440
Capital Financing Requirement	339,086	351,156	387,736	383,654	377,891

3.18 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 7, the Council expects to comply with this in the medium term.

3.19 **Affordable Borrowing Limit**
The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2018/19 limit £m	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m
Authorised limit – borrowing	434	416	404	395
Authorised limit – PFI and leases	65	63	61	59
Authorised limit – total external debt	**499**	**479**	**465**	**454**
Operational boundary – borrowing	424	406	394	385
Operational boundary – PFI and leases	60	58	56	54
Operational boundary – total external debt	**484**	**464**	**450**	**439**

3.20 Further details on borrowing can be found in the treasury management strategy statement.

3.21 **Investment Strategy**
The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

3.22 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for funds that are available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

3.23 Further details on treasury investments can be found in the treasury management strategy statement.

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

3.25 Further details on the "Policy of Delegation" can be found in the treasury management strategy statement.

3.26 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

3.27 **Investments for Services Purposes**
The Council lends money to its subsidiaries e.g. Edsential Community Interest Co. (by way of a credit facility) and local businesses to support local public services and stimulate local economic growth. An example is the loan of £350,000 to a local business to encourage inward investment and job creation. Loans should be self-financing with returns covering financing and administrative costs plus any return.

3.28 **Governance**
The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Appropriate due diligence is undertaken on loan applications and collateral sought to offset risk. In order to further limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the organisation, upper limits on the outstanding loans to each category of borrower have been set. Any such investment must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

3.29 Further details about these types of investments can be found in the Investment Strategy Statement.

3.30 **Commercial Activities**
The Council invests in local commercial and residential property with the intention of making a profit that will be spent on local public services. Although there is increased national focus on property, councils have a long history of owning investment properties. Wirral's portfolio include industrial estates, commercial and leisure properties. Total commercial investments are currently valued at £30.8 million. The largest being Europa Boulevard providing a net return after all costs of £0.3 million (3.4% based on the asset value).

3.31 **Governance**
The Strategic Asset Management Plan sets out how the Council will make the best use of its buildings and land in the future. This will be linked to future property purchase for consideration.

3.32 In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

3.33 The Authority assesses the risk of loss before entering into and whilst holding property investments and has appropriate credit control arrangements in place to recover overdue repayments.

3.34 Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

3.35 Further details about commercial activities can be found in the Investment Strategy Statement.

3.36 **Liabilities**

In addition to the forecast debt of £296 million detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £457.3 million at 31 March 2018). Actuarial valuations are carried out every three years. Contributions are set with a view to targeting the Fund's solvency. The most recent valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £1.231 billion as at that date, equivalent to a funding level of 85%. The fund's employers are paying additional contributions over a period of up to 22 years in order to meet the shortfall.

3.37 **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Financing costs (£m)	17.4	18.8	19.8	21.8	22.1
Proportion of net revenue stream	7.0%	6.9%	7.2%	8.0%	8.0%

3.38 **Sustainability**

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.

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

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

3.41 The ability to deliver the Programme within the agreed timescales. The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2019/20 Programme.

3.42 **Knowledge and Skills**
The structure of the Council ensures that professionally qualified and experienced staff are in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Corporate Director for Business Management, the Corporate Director for Delivery Services and the Director of Finance and Investments. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, RICS.

3.43 Where Council staff do not have the knowledge and skills required use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, GVA as property investment and finance consultants, Lambert Smith Hampton for property valuations/appraisals/disposals and Bevan Brittan as legal consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

- Loss of expertise from the Council's in house resource;
- The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss;
- The cost of borrowing increases at a rate higher than estimated leads to increased revenue pressure and/or curtailment of the capital programme;
- The programme does not deliver the outcomes as intended.

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 – The Minimum Revenue Provision (MRP) Statement
Appendix 2 – Flexible Use of Capital Receipts Strategy 2017/18

SUBJECT HISTORY

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

APPENDIX 1

2019/20 MINIMUM REVENUE PROVISION (MRP) STATEMENT

1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's (MHCLG) Guidance on Minimum Revenue Provision most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

1.4 For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure based on the expected useful life of the relevant assets using an annuity method, (Option 3 in England and Wales).

1.5 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset or as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the expenditure has been incurred.

1.6 For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

1.7 The Council, if it considers it prudent for a particular financial year, will set aside capital receipts to be offset by the matching MRP liability amount.

1.8 With regards to loans granted by the Council no MRP will be charged on them. The MRP will be equated to the principal repayment of the individual loans.

1.9 Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

2.0 The MRP Statement will be submitted to Council before the start of the 2019/20 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2019, the budget for MRP has been set as follows:

	31.03.2019 Estimated CFR £m	**2019/20 Estimated MRP £m**
Supported Capital Expenditure	170.1	2.5
Unsupported Capital Expenditure	104.7	3.0
Finance leases and Private Finance Initiative	42.7	2.6
Transferred debt	34.7	4.9
Total General Fund	**352.2**	**13.1**

APPENDIX 2

Flexible Use of Capital Receipts Strategy 2019/20

Background

1. The Government believes that it is important that individual authorities demonstrate the highest standards of accountability and transparency. The guidance on the flexible use of capital receipts recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. The latest guidance by the Secretary of State directs that:

2. Authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure. Such expenditure must be incurred between 1 April 2016 and 31 March 2022.

3. The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery. These schemes are encapsulated within Council's ambitious programme of digitalisation, regeneration and improvement. The Council's has utilised the funding since intends to use the following use of capital receipts to fund the following:

Transformation Programme 2016 – 2022	**£000**
Transformation Programme – Assets and Customers	5,740
Children's' Services Improvement Programme	11,100
EVR Scheme for whole scale efficiency restructuring	2,500
Digitalisation transformation programme	1,500
Total Programme (funded from capital receipts)	**20,800**

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WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **18 FEBRUARY 2019** **TREASURY MANAGEMENT STRATEGY STATEMENT** **2019/22**

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

"Over the past couple of years, we have relied on our innovative investments and revised Treasury Management policy to enable us to release significant amounts of funds to support our revenue budget. Last year in 2018/19 we were able to release over £5m in funding to help support our budget gap from Treasury Management activities.

Our policy of investing surplus cashflow enables us to generate income from interest received that goes towards paying for vital services to the public, and by previously continuing to self-fund our capital programme where we can, we have made significant savings on borrowing. We are confident and innovative in our Treasury Management activities and this strategy is the vehicle in which we undertake these activities, in line with prescribed guidelines. Our strategy for 2019/22 will see us generate £2m income to support the 2019/20 budget process by diversifying our investments and being more commercially judicious by taking advantage of opportunities that present to us.

Our objective is to ensure the long term financial sustainability of the Council while protecting the taxpayers purse and this strategy supports us to do this."

REPORT SUMMARY

The Authority's treasury management activity is underpinned by CIPFA's 2017 Code of Practice on Treasury Management ("the Code"), which requires the production of annual Treasury Management 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 the CIPFA Code. It does not cover the requirements of the 2018 Ministry for Housing, Communities and Local Government (MHCLG Investment Guidance, which mostly refers to non-treasury investments and is the subject of a separate report.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

1. That Members approve the Treasury Management and Investment Strategy for 2019/2022.

2. That the Treasury Management Indicators be adopted.

3. That Members approve the Council's Minimum Revenue Provision policy.

4. That the Council Officers listed within Appendix G, of the Strategy Statement, be authorised to approve payments from the Council's bank accounts for all treasury management activities.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATION/S

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires local authorities to determine the Treasury Management Strategy Statement (TMSS) on an annual basis. The TMSS no longer incorporates the Investment Strategy as required under the MHCLG's Investment Guidance, which mostly refers to non-treasury investments.

1.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) also places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

3.2 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

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

3.4 Wirral Council defines its treasury management activities as:

"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.5 The Council will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement (see Appendix A), stating the policies, objectives and approach to risk management of its treasury management activities.

- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

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

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

- Treasury Management Strategy for 2019/22.
- Minimum Revenue Provision (MRP) Statement
- Treasury Management Policy Statement
- Treasury Management Indicators for 2019/22.
- Authorised Signatories for Treasury Management Activity

3.9 The Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or to the Authority's capital programme or in the level of its investment balance.

ECONOMIC BACKGROUND

3.10 **The Economy:** The major external influence on the Authority's treasury management strategy for 2019/20 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements.

3.11 UK Consumer Price Inflation (CPI) for October was up 2.4% year on year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

3.12 The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the Bank of England, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

3.13 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

3.14 **Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts..

3.15 The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. There were no requirements for any bank to raise additional capital.

3.16 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

3.17 **Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's Monetary Policy Committee (MPC) has maintained expectations for slow and steady rate rises over the forecast horizon. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

3.18 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are

considered firmly to the downside Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the European Central Bank's forward guidance on higher rates.

3.19 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix F.

CAPITAL FINANCING REQUIREMENT

3.20 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's strategy will be to minimise and delay external borrowing where possible, through the utilisation of investment balances, sometime known as internal borrowing.

3.21 The Authority's current level of debt and investments are set out in Appendix B.

3.22 CIPFA's Prudential Code of Practice recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.

3.23 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

Table 1: Balance Sheet Summary Analysis

	31-Mar-19 Estimate £m	**31-Mar-20 Estimate £m**	**31-Mar-21 Estimate £m**	**31-Mar-22 Estimate £m**
Capital Financing Requirement (CFR)	351	387	383	377
Less: Existing Profile of Long Term Borrowing and Other Long Term Liabilities	217	211	205	190
Cumulative Maximum External Borrowing Requirement	**134**	**176**	**178**	**187**
Usable Reserves	64	51	47	47
Cumulative Net Borrowing Requirement	**70**	**125**	**131**	**140**

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

BORROWING STRATEGY

3.25 The Authority as at 31st December 2018 held £174 million of longer term loans, a decrease of £8 million from March 2018, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that in theory the Authority could need to borrow up to £125m in 2019/20. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing as per the Capital Strategy.

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

3.27 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

3.28 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and/or short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Authority's Treasury Management advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.29 Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

3.30 In addition, the Authority may borrow short-term to cover unexpected cash flow shortages.

3.31 The approved sources of long term and short term borrowing are:

- Public Works Loan Board (PWLB) and its successor body

- Any other UK public sector body
- Any institution approved for investments
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (with the exception of Merseyside Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency Plc and other special purpose companies created to enable joint local authority bond issues

3.32 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

3.33 At present, the PWLB remains the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide, however the Authority continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

3.34 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

Type of borrowing

3.35 As the cost of carry remains high there is a greater reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review.

LOBOs

3.36 The Authority has £114m of exposure to LOBO loans (Lender's Option Borrower's Option) of which £99m of these can be called within 2019/20. A LOBO is called when the lender exercises its rights to amend the interest rate on the loan at which point the borrower can accept the revised terms or reject

them and repay the loan at no additional cost. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion. This refinancing risk is mitigated by the low interest rate climate, which has now been in existence for a number of years.

3.37 Any LOBOs called will be discussed with our Treasury Management advisors prior to acceptance of any revised terms. If a lender proposes to exercise their right to amend the interest rate of the loan, the default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted. Should the possibility arise of a LOBO being refinanced, for example by replacing the loan with a new loan arrangement, then the approach detailed below will adopted.

Debt Rescheduling

3.38 The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

3.39 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. The rationale for undertaking debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

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

INVESTMENT STRATEGY

3.41 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. As at 31st December 2018, the Authority held £31 million of invested funds. In the past 12 months, the Authority's investment balance has ranged between £20 and £60 million. A similar range in investment level is expected in the forthcoming year, depending of the levels of grant received and the payment profiles.

3.42 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

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

3.44 **Negative Interest Rates**: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

3.45 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for funds that are available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

3.46 The Authority may invest its surplus funds with any of the counterparties shown in Appendix C, subject to the cash and time limits shown.

3.47 **Business models**: Under the new IFRS 9 accounting standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

3.48 **Banks Unsecured Investments**: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

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

3.50 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the

UK Central Government may be made in unlimited amounts for up to 50 years.

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

3.52 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

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

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

3.55 **Real estate investment trusts (REITs)**: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

3.56 **Operational bank accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be minimised as part of daily Treasury Management procedures. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

3.57 **Other Organisations:** The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment.

3.58 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

3.60 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

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

3.62 **Investment Limits:** In order that the risk to the Authority's finances is further minimised in the case of a single default, a group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. Group Investment and Industry Sector Limits can be found in Appendix C.

3.63 When calculating counterparty limits, the investment portfolio may be grossed up to include amounts that are being utilised by the Authority in lieu of borrowing (internally borrowed), as per the Authority's external advisor.

3.64 **Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

3.65 The Section 151 Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements. Decisions taken on the core investment portfolio will be reported to Cabinet meetings.

OTHER ITEMS OBLIGED BY CIPFA TO BE INCLUDED IN THE TREASURY MANAGEMENT STRATEGY

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

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

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

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

3.70 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

INTEREST RATE FORECAST

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

POLICY ON DELEGATION

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

3.73 On a day to day basis the Treasury Management Team within Finance undertake the treasury management activities.

3.74 Decisions on short term investments and short term borrowings may be made on behalf of the Section 151 Officer by the Principal Accountant with the responsibility for investments or any other members of that team who are empowered to agree deals subject to their conforming to the Authority's Treasury Management Strategy and policies outlined in this report.

3.75 Actual authorisation of payments from the Authority's bank account will be made by those listed in Appendix G.

3.76 Decisions on long term investments or long term borrowings (i.e. for periods greater than one year) may be made on behalf of the Section 151 Officer by the Principal Accountant (or equivalent) or the Senior Accountant (or equivalent) on the Treasury Management function and will be reported to Cabinet.

3.77 All officers will act in accordance with the policies contained within this document.

PERFORMANCE MONITORING AND REPORTING

3.78 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

3.79 The Council will produce an Outturn Report on its treasury activity no later than 30 September after the financial year end.

4.0 FINANCIAL IMPLICATIONS

4.1 Approval and implementation of this strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

5.0 LEGAL IMPLICATIONS

5.1 The MHCLG Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to "have regard" to "such guidance as the Secretary of State may issue". The Council's has adopted the requirement of the MHCLG to produce a Treasury Management Strategy**.** The Council would be putting its financial standing at risk, as well as failing to meet the requirements of the Local Government Act 2003, if it failed to follow the revised Treasury Management Code and the associated guidance. The Council has adopted the CIPFA Code of Practice on Treasury Management. This requires the annual production of a Treasury Management Strategy Statement, which this report fulfils and the reporting of treasury management activities at least twice a year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising out of this report.

7.0 RELEVANT RISKS

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

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

8.0 ENGAGEMENT/CONSULTATION

8.1 This strategy report has been written in consultation with the Council's external treasury management advisors, Arlingclose Ltd. There has been no further consultation undertaken or proposed for this strategy report. There are no implications for partner organisations arising out of this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report

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APPENDICES

A. Treasury Management Policy Statement
B. Existing Investment and Debt Portfolio Position
C. Approved Investment Counterparties
D. Treasury Management Indicators 2019/20 – 2021/22
E. 2019/20 Minimum Revenue Provision (MRP) Statement
F. Interest Rate Outlook
G. Authorised Signatories

SUBJECT HISTORY

Meeting	Date
Treasury Management Strategy Statement 2018-19	**19th February 2018**
Treasury Management Mid-Year Report 2018-19	**26th November 2018**

APPENDIX A

TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and background

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

2. Policies and objectives of treasury management activities

2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

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

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

APPENDIX B

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	Current Portfolio as at 31 Dec 18 £m
External Borrowing (Long & Short Term)	
Public Works Loan Board	16
Local Authorities Temporary Loans	74
LOBO Loans	114
Other Loans	44
Total External Borrowing	248
Other Liabilities	
PFI	44
Total Other Long-Term Liabilities	44
Total External Debt	**292**
Investments:	
Managed in-house	
Deposits with Banks & Building Societies	9
Deposits with Money Market Funds	13
Deposits with Community Interest Companies	2
Managed Externally:	
Royal London	1
Payden Sterling Reserve	4
Columbia Threadneedle	1
CCLA Property Fund	1
Total Investments	31
Net Borrowing Position	261

APPENDIX C

APPROVED INVESTMENT COUNTERPARTIES

Investment Limits

Credit Rating	Banks/ Building Societies Unsecured	Banks/ Building Societies Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£10m 20 years	£10m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£10m 5 years	£10m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
None	£1m 6 months	n/a	£10m 25 years	£1.5m 5 years	£5m 5 years
Pooled funds	£10m per fund				
Real Estate investment Trusts	£10m per fund				
Asset backed pooled funds unrated	£10m per fund				

Group Investment and Industry Sector Limits

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

APPENDIX D

TREASURY MANAGEMENT INDICATORS
2019/2020

1. Background

Treasury management indicators are not in the 2017 edition of the CIPFA Treasury Management Code itself but in the separate Treasury Management Code guidance notes for local authorities, which was last published in 2011. The Authority measures and manages its exposures to treasury management risks using the following indicators.

Treasury Management Indicators

1. Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A-

2. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in past 3 months without prior notice	**£15m**

3. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity Structure of Borrowing	Lower Limit 2019/20 %	Upper Limit 2019/20 %
Under 12 Months	0	90
12 Months and within 24 months	0	50
24 Months and within 5 years	0	50
5 years and within 10 years	0	50
10 years and over	0	100

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment, including LOBO loans, many of which have repayment options every six months.

4. Principal Sums Invested For Periods Longer Than a Year

The Council has placed an upper limit for principal sums invested for periods longer than a year. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£30m	£30m	£30m

APPENDIX E

2019/20 MINIMUM REVENUE PROVISION (MRP) STATEMENT

1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's (MHCLG) Guidance on Minimum Revenue Provision most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

1.4 For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure based on the expected useful life of the relevant assets using an annuity method, (Option 3 in England and Wales).

1.5 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset or as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the expenditure has been incurred.

1.6 For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

1.7 The Council, if it considers it prudent for a particular financial year, will set aside capital receipts to be offset by the matching MRP liability amount.

1.8 With regards to loans granted by the Council no MRP will be charged on them. The MRP will be equated to the principal repayment of the individual loans.

1.9 Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

2.0 The MRP Statement will be submitted to Council before the start of the 2019/20 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2019, the budget for MRP has been set as follows:

	31.03.2019 Estimated CFR £m	**2019/20 Estimated MRP £m**
Supported Capital Expenditure	170.1	2.5
Unsupported Capital Expenditure	104.7	3.0
Finance leases and Private Finance Initiative	42.7	2.6
Transferred debt	34.7	4.9
Total General Fund	**352.2**	**13.1**

APPENDIX F

Arlingclose's Economic and Interest Rate Outlook

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitionary period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitionary period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	**-0.85**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	0.90	0.95	1.10	1.30	1.40	1.40	1.40	1.35	1.35	1.35	1.35	1.35	1.35	1.27
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.76**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.70	1.60	1.50	1.40	1.35	1.35	1.35	1.35	1.35	1.40
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.77**
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.50	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.33
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.66**
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	1.50	1.65	1.70	1.80	1.80	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	**-0.71**
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	2.00	2.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.18
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	1.90	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**

APPENDIX G

AUTHORISED SIGNATORIES

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

Director of Finance & Investment – Shaer Halewood

Assistant Director of Finance & Investment – Daniel Kirwan

Senior Finance Manager – Peter J. Molyneux

Senior Finance Manager – Jenny Spick

Senior Finance Manager - Peter McCann

WIRRAL

 **CLLR JANETTE WILLIAMSON**	**CABINET** **18 FEBRUARY 2019** **INVESTMENT STRATEGY STATEMENT** **2019/20**

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

"As we continue to move to significant investment and growth projects to regenerate the borough to bring in income to replace our lost government grant funding, it is important that we have a robust strategy that sets out our intentions.

This year is the first year we have produced the Investment Strategy Statement, as required by new MHCLG guidance. I welcome the guidance as it allows us to evidence the extent of our investments for income generation purposes and enables the public to see that we are taking responsible and commercial decisions in order to protect the services that they value the most.

Without our investment activity, the borough would continue to decline and communities continue to be disaffected. However, through our investment and growth strategy we are able to regenerate the borough providing jobs and opportunities for local people that will in turn support our communities to thrive and deliver significant returns to support our revenue budget. This investment strategy statement underpins our approach to this."

REPORT SUMMARY

In February 2018 the Ministry for Housing, Communities and Local Government (MHCLG) published updated 'Guidance on Local Government Investments'. The previous edition covered only Treasury Management investments. In recent years local authorities have had an increasing focus on commercial activities including but not exclusive to property. Such activity has the potential to bring both increased returns and increased positive and negative risk. The revised Guidance on Local Authority Investments requires that a separate Investment Strategy focusing on non-treasury investments is produced and approved annually by Council.

This report fulfils the requirement of the MHCLG to produce an investment strategy that covers non-treasury activities.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

- That Members approve the Investment Strategy for 2019/2020 which includes potential investment in the following activity areas:

    - Commercial Property
    - Service Investments: Loans
    - Service Investment: Shares (non-currently held)
    - Loan Commitments and financial Guarantees

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATION/S

1.1 To fulfil the requirement of the MHCLG to produce an investment strategy that covers non-treasury activities.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 The Authority invests its money for three broad purposes:

- it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose)

3.2 This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the Government in February 2018, and focuses on the second and third of these categories. MHCLG have acknowledged the increase in commercial activities local authorities are engaged in. The revised guidance requires local authorities to clearly define their approaches and risk appetite for such activity and to gain approval from Council on an annual basis.

3.3 A separate report covering the Treasury Management Strategy is also produced that fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG guidance.

3.4 A Commercial Strategy was approved by Cabinet on 26th November 2018. This strategy takes 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. As part of this the effectiveness of the Investment & Change Board and New Commercial Ideas Panel in this regard, is assessed by the Business & Overview Scrutiny Committee.

Treasury Management Investments

3.5 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the

timing of borrowing decisions, may lead to a cash flow surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The daily balance of treasury management investments is expected to fluctuate between £20m and £60m during the 2019/20 financial year.

3.6 Wirral Council defines its treasury management activities as:

"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.7 **Contribution**: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities. Investment returns contribute towards funding services, whilst reduced borrowing costs allow resources to be allocated elsewhere.

3.8 **Further details**: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

3.9 **Contribution:** The Council lends money to its subsidiaries e.g. Edsential Community Interest Co. (by way of a credit facility) and local businesses to support local public services and stimulate local economic growth. An example is the loan of £350,000 to a local business to encourage inward investment and job creation.

3.10 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Appropriate due diligence is undertaken on loan applications and collateral sought to offset risk. In order to further limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as per the table below. Loans should be self-financing with returns covering financing and administrative costs plus any return.

Table 1: Loans for service purposes.

Category of borrower	31.3.2019 actual			2019/20
	Balance Owing £000	Loss allowance £000	Estimated Net figure in accounts £000	Approved Limit £000
Subsidiaries	1,250	0	1,250	3,000
Local businesses	350	0	350	5,000
TOTAL	**1,600**	**0**	**1,600**	**8,000**

3.11 Accounting standards require the Authority to set aside loss allowance (where appropriate) for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.12 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans. If in the future the authority actively markets itself as a provider of finance it would need to assess the market that it would be competing in e.g. other local authorities and financial institutions. Prior to offering any loan facility the following factors are considered:

- Financial appraisal based on evidence obtained from credit agencies;
- Independent external advisor appointed in conjunction with procurement;
- Analysis of business plans;
- Appropriate interest rate calculation, including potential state aid implications; and
- The availability of any securities/collateral.

Service Investments: Shares

3.13 **Contribution:** The Council can invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. At present there are no such investments in place.

3.14 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category will be determined as the need arises.

3.15 **Risk assessment:** The Authority will assess the risk of loss before entering into and whilst holding shares by the approach referred to in paragraph 3.11

3.16 **Liquidity:** The maximum period for which funds may prudently be committed would initially be 12 months but this would be subject to an ongoing review to best avoid the likelihood of capital losses.

3.17 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits on share investments will therefore also be the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition covered by this requirement.

Commercial Investments: Property

3.18 **Contribution:** The Council invests in local commercial and residential property with the intention of making a surplus that will be spent on local public services. Although there is increased national focus on property, councils have a long history of owning investment properties. Wirral's portfolio includes industrial estates, commercial and leisure properties.

3.19 The income from these investment properties has been an integral part of the Council's revenue budget for many years. Without it, the Council could not have continued to provide the services it does.

Table 3: Property held for investment purposes

Property [type]	Actual	31.3.2019 actual	
	Purchase cost £000	Gains or (losses) £000	Estimated Value in accounts £000
Europa Boulevard	8,844	0	8,844
Birkenhead Market	2,500	0	2,500
Vue Cinema	6,800	0	6,800
Other Investment Properties	12,702	0	12,702
TOTAL	**30,846**	**0**	**30,846**

The amount for other investment properties represents the latest valuation per the Statement of Accounts.

3.20 The Council is currently developing a joint venture agreement with Muse Developments to create the Wirral Growth Company the benefits being inward investment, regeneration, job creation and income generation to the authority.

3.21 As a result of the Council's strategic regeneration plans under the Wirral Growth Company, it is anticipated to receive over £5m in income in 2019/20 that is being used to continue to provide day to day services to residents. Within the next decade, the Wirral Growth Company will generate over £50m of income that will support the Council to remain financially sustainable in the long-term.

3.22 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

3.23 Where value in accounts is at or above purchase cost: A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2018/19 year end accounts preparation and audit process value these properties significantly below their purchase cost, then an updated investment strategy will be presented to full council detailing

the impact of the loss on the security of investments and any revenue consequences arising therefrom.

3.24 Where value in accounts is below purchase cost: The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and in these circumstances the Authority will take mitigating actions to protect the capital invested.

3.25 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments. Refer to measures outlined in paragraph 3.11.

3.26 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions.

Loan Commitments and Financial Guarantees

3.27 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

3.28 The Authority has committed itself to make available a credit facility of £2 million to Edsential Community Interest Co. To date £1.25 million has been advanced. Under the terms of the existing agreement Edsential has until December 2020 to call upon the balance. Interest is earned by the Council on any sums advanced and is charged at an appropriate market rate.

Proportionality

3.29 The Authority plans to become partly dependent on income generating investment activity to achieve a balanced revenue budget. The most significant income source will be the dividend payable by the Wirral Growth Company to the Council which will be determined by the Growth Company development plans.

Borrowing in Advance of Need

3.30 Government guidance is that local authorities must not borrow more than, or in advance of, their needs purely in order to profit from the investment of the extra sums borrowed. The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

Capacity, Skills and Culture

3.31 **Elected members and statutory officers:** The Council has a dedicated Cabinet Portfolio lead for Finance and Income. The Cabinet member meets regularly with the Director of Finance and Investment, raises questions and receives briefings on latest developments. Financial training has been offered to all members to aid decision making. Regular reporting and discussion of financial matters occurs with frequent joint meetings of Cabinet and Strategic Leadership team. Formal reporting is provided to Council, Cabinet and supporting committees. Reports undergo extensive review to ensure content is detailed and appropriate for the circumstance and relevant implications have been identified

3.32 Decisions which have a financial impact must be approved by the Director of Finance and Investment (Section 151 Officer) or one of the authorised officers. Finance Officers are members of appropriate professional bodies such as the chartered Institute of Public finance and Accountancy (or equivalent). Membership requires officers undergo continuous professional development and are subject to compliance with the regulatory frameworks laid down by professional institute. Officers are supported by properly regulated advisors and have access to latest guidance and best practice. Strategies and policies are approved to provide a framework for investment decisions to be made within.

3.33 **Commercial deals:** Commercial deals require initial approval from the Director of Finance and Investment. Governance arrangements include oversight from the Investment and Change Board (ICB), chaired by the Director of Finance and Investment. ICB membership includes senior officers from a range of disciplines including legal services. Decisions are also subject to member approval with governance arrangements in place to ensure reports contain appropriate detail to enable decisions to be made. Where appropriate external advice will be sought from experienced and suitably qualified experts.

3.34 **Corporate governance**: The Director of Finance and Investment has statutory responsibility for overseeing the Council's financial affairs and ensuring that robust controls are in place. the Director is supported by officers within and outside the directorate. The Investment and Change Board assists with ensuring governance and oversight is in place. At member level there is a Cabinet Portfolio Member with responsibility for financial matters. The Council maintains a Corporate Risk Register and appropriate departmental risk registers and an independent Internal Audit function is maintained to provide appropriate challenge and review. The Head of Internal Audit reports directly to the section 151 Officer but maintains a 'dotted line' to the Chief Executive and has direct access to the Council's Senior Leadership Team, the Cabinet and the Chair of Audit and Risk Management Committee as and when required.

Investment Indicators

3.35 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

3.36 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure

Total investment exposure	**31.03.2018 Actual £000**	**31.03.2019 Forecast £000**	**31.03.2020 Forecast £000**
Treasury management investments	49,115	30,000	30,000
Service investments: Loans	1,600	1,850	2,100
Commercial investments: Property	21,546	30,846	30,846
TOTAL INVESTMENTS	**72,261**	**62,696**	**62,946**
Commitments to lend	750	500	250
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**73,011**	**63,196**	**63,196**

3.37 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing

Investments funded by borrowing	**31.03.2018 Actual**	**31.03.2019 Forecast**	**31.03.2020 Forecast**
Service investments: Loans	350	350	350
Commercial investments: Property	21,546	30,846	30,846
TOTAL FUNDED BY BORROWING	**21,896**	**31,196**	**31,196**

3.38 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual %	2018/19 Forecast %	2019/20 Forecast %
Treasury management investments	0.46	0.67	0.95
Service investments: Loans	5.34	5.30	5.27
Commercial investments: Property	1.00	4.12	2.39
ALL INVESTMENTS	**1.09**	**2.33**	**1.95**

4.0 FINANCIAL IMPLICATIONS

4.1 Approval and implementation of this strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

5.0 LEGAL IMPLICATIONS

5.1 The Council's has adopted the requirement of the MHCLG to produce an investment strategy that covers non-treasury activities This requires the annual production of Investmentl Indicators and an Investment Strategy Statement.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising out of this report.

7.0 RELEVANT RISKS

7.1 The Council is responsible for investment 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:-

- Market or Interest Rate Risk (Fluctuations in interest rate levels).
- Inflation Risk (Exposure to inflation).
- Credit and Counterparty Risk (Security of investments).
- Legal and Regulatory Risk.
- When making service loans the borrower maybe unable to repay the principal lent and/or the interest due.
- The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this strategy report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report

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