



COUNCILLOR PHIL DAVIES

CABINET
22 FEBRUARY 2016

REVENUE BUDGET AND
COUNCIL TAX LEVELS 2016/17

Councillor Phil Davies, Leader of the Council, said:

“We are a responsible Administration, and for as long as I am Leader this Council will always set a fair, sustainable and balanced budget. Ongoing austerity measures make it difficult to continue to provide the services our residents rely on and care about.

We agreed our Wirral Plan in July, and we remain as committed to our 20 Pledges now as we were then. We have a duty to set a Budget which delivers on our Pledges to local people.”

REPORT SUMMARY

The report provides an update on the Council Budget 2016/17 reported to Cabinet on 17 December 2015. It sets out the background and the key elements contributing to the preparation of the Budget for 2016/17.

Cabinet has to recommend a Budget proposal to Council on 3 March 2016. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2016. This is in order to formally set the Revenue Budget and Council Tax for the 2016/17 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2016/17 by 10 March 2016.

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

RECOMMENDATIONS

- 1 Cabinet recommends to Budget Council a Budget proposal for 2016/17 based upon:-
 - a) The savings for 2016/17 as set out at Appendix 1.
 - b) The Budget Growth for 2016/17 as set out in Appendix 2.
 - c) The fees and charges, as in Appendix 3, with delegated authority being:-
 - i) given to the Acting Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2016.
 - ii) given to the Portfolio Holder in consultation with the relevant Director and Acting Section 151 Officer to vary existing fees and charges.
 - d) The level of General Fund balances being recommended, as detailed in Appendix 4, as 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 release of reserves by Directorates, as detailed in Appendix 5, being agreed and used to fund the 2016/17 Revenue Budget Contingency.
 - f) The flexibilities available over the use of Capital Receipts received after the 1 April 2016 to support revenue spending in the area of transformation.
 - g) The Chief Financial Officer Statement regarding the robustness of the estimates made for the purpose of the Budget and the adequacy of the General Fund balances and reserves at Appendix 6.
- 2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2016/17 and that :-
 - a) For Wirral Council Services the Council Tax be increased by 3.99% for 2016/17 which includes the Adult Social Care Precept of 2%.
 - b) The Wirral Council Tax will include the precepts from the Police & Crime Commissioner for Merseyside and from the Merseyside Fire & Rescue Service.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Cabinet is required to recommend a Budget to Council on 3 March 2016. The issues detailed in this report support the recommendations which all contribute to enabling Cabinet to be in a position to recommend a Budget proposal.
- 1.2 Section 25 of the Local Government Act 2003, requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.
- 1.3 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requires that a recorded vote, detailing the names of all Councillors voting and how they voted, be taken in respect of all votes involved in setting the Budget and Council Tax levels.
- 1.4 The Police & Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Service issue a precept on the Council to be paid through the Council Tax.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Budget position collated in this report represents the result of a wide range of available options, based upon detailed and assessed assumptions, to produce a robust Budget.

3.0 BACKGROUND INFORMATION

PROGRESS SINCE THE PROJECTIONS AT 17 DECEMBER 2015

- 3.1 This Budget 2016/17 and Medium Term Financial Strategy Report was presented to Cabinet on 17 December 2015 and proposed savings for consultation. This report provides an update incorporating the impact of subsequent changes including the Final Local Government Finance Settlement. For Wirral the Final Settlement was the same as the Provisional Settlement although details of the Specific Grants have still to be finalised.
- 3.2 As part of the Final Settlement the Government have set out projected funding levels for local authorities up to 2019/20 with the offer of a four year Settlement. This provides a degree of certainty over the period and authorities have until 14 October 2016 to respond to the Secretary of State confirming whether they wish to take up the offer. This is linked to the phasing-out of the main Government Grant, the Revenue Support Grant, and precedes the proposed 100% retention of Business Rates post-2020
- 3.3 The Government has indicated that the funding for local authorities in 2019/20 will be at similar levels to that in 2016/17. This is based upon local

authorities increasing their Council Tax Base each year in line with current national averages, implementing Council Tax rises of 1.99% each year, the implementation of the 2% Adult Social Care Precept each year and increased resources from the Better Care Fund from 2017/18 (which is linked to reductions in the New Homes Bonus Scheme). This level of funding makes no allowance for increased demand through demographic changes or inflationary increases or legislative changes such as the impact of the National Insurance increases from April 2016.

- 3.4 As referred to in the December 2015 report, information relating to the 2016/17 financial year was awaited and some still remains outstanding which is also the case for future years. This report focusses on the Budget for 2016/17. With the Wirral Plan being developed with partners into a series of strategies and plans to deliver the 20 Pledges the continuing pressures on available funding mean opportunities to increase income from Business Rates and Council Tax are key. There will be difficult decisions to be made to successfully deliver the Wirral Plan whilst meeting statutory responsibilities. The Wirral Delivery Plan and Medium Term Financial Strategy for 2016/17 to 2020/21 are to be formulated and then considered by Cabinet / Council in June / July 2016.

FINANCIAL YEAR 2015/16

- 3.5 The financial position in 2015/16 provides a guide for the development of the Budget for 2016/17. The latest Revenue Monitoring report details the position at Quarter 3 (to 31 December 2015) and is on this agenda.
- 3.6 The latest projections being an £80,000 overspend whilst work continues to identify further in-year savings. However this reflects overspends within both Adult Social Services and Children's Services primarily as a result of increased care costs. Although offset by projected underspends within other Directorates this highlights the likely challenges that can be expected in the new financial year.
- 3.7 In considering the reported position Cabinet are reminded that the Quarter 1 (June 2015) Monitoring Report showed that the Council was on target to deliver over £28 million of the planned savings in year, however there was identified slippage of £9.6 million. It was subsequently confirmed by Council that these savings be covered from a combination of Reserves and Balances in 2015/16. The level of General Fund Balances included an element based on a risk assessment of the deliverability of the savings so sums were set-aside in the event of slippage occurring.
- 3.8 The issues highlighted throughout 2015/16 are important when considering the deliverability of the Budget for 2016/17 which includes further planned savings. Integral to this is ensuring the financial resilience is in place to mitigate against potential adverse variances such as where planned savings may not be delivered.

FINANCIAL YEAR 2016/17

- 3.9 The details and table below outlines the changes to the financial projections and budget proposals considered by Cabinet on 17 December 2015.

Table 1: Changes to Budget Proposals and Budget Gap

Projected updated Budget Gap	£m	£m
Original Budget Gap		24
Add : Further reductions in the Grants (see 3.10)		
Provisional Local Government Finance Settlement	+2.0	
Specific Grants (Adults) now in Grant	+2.1	
Updated Budget Gap		28.1
Less : Additional Resources savings (see 3.11)		
Projected reduction in the Transport Levy	-1.4	
Reduction in the National Insurance requirements	-1.5	
Additional Council Tax from higher base	-0.2	
Updated Budget Gap		25.0
Less: Proposed Savings December 2015 (see Table 2)		26.9
Revised Budget Position		-1.9
IF all savings agreed is a 'surplus' of funding		

- 3.10 The Provisional Settlement showed a reduction of £2 million more than projected increasing the gap to £26 million. Since then the £2.1 million of Specific Grants for Adult Social Services have been clarified as being within the Revenue Support Grant meaning the loss was greater and increasing the gap further. The Final Settlement on 8 February 2016 confirmed this change. Still awaited is conformation of over £60 million of Specific Grants which includes Public Health.
- 3.11 Favourable items identified since December 2015 are the announcement of the Transport Levy which has resulted in a further reduction of £1.4 million and the detailed work on the impact of changes to National Insurance from April 2016 has enabled the projections to be reduced by a further £1.5 million. A review of the impact of the Council Tax rises has identified that both the General Increase and the Adult Social Care Precept will generate an additional £0.1 million.
- 3.12 The Revised Budget position assumes that all the savings included in the December 2015 Cabinet report are agreed and implemented.

SAVINGS

- 3.13 In setting the Budgets for 2014/15 and 2015/16 Council agreed £3.1 million of savings which impact upon 2016/17 and as such were factored into the Original Funding Gap.
- 3.14 Cabinet on 17 December 2015 considered £26.9 million of budget reductions and proposals for 2016/17. This included the assumption that

the Council would increase Council Tax levels, including the Adult Social Care Precept, in 2016/17 but was dependent upon the terms of the Local Government Finance Settlement. Officers were authorised by Cabinet to undertake consultation and engagement with residents and other stakeholders on a number of budget proposals.

- 3.15 The consultation took place between 18 December 2015 and 29 January 2016. The outcomes are reported on this agenda for Cabinet and a number of the proposals will require further specific consultation before they are finally implemented.
- 3.16 The schedule of all the savings proposals are detailed in Appendix 1 and, as referred to in the December 2015 report, are set out on the basis of the four themes being:-
- 3.17 **Income and resource management** The Council must do all it can to build its way to a sound financial position. More investment, more jobs and more housing coming into the borough transforms our finances. It translates into more business rates, more Council Tax and more people in work. Every pound we bring into the Council is a pound we can invest in the kind of modern service people need.
- 3.18 **Managing Demand** Reducing the demand (and subsequently the cost) of specialist, substantial services mean we are able to invest more resources into early intervention and prevention services. In line with the Wirral Plan and the views of residents it is important to protect the vulnerable. The proposals seek to make no overall reductions in the levels of spending on care services for adults and children. Working with Health partners to improve the health and well-being of Wirral people will see the integration of resources to realise efficiencies to help meet the increasing demand from within the currently available budget.
- 3.19 **Delivering Differently** The Wirral Plan sets out how public services will work better together to deliver better job opportunities, a quality local environment, better health and a good life for local children and older people in particular. The Council continues to find new and innovative ways of working in partnership to achieve the outcomes Wirral residents need and will build upon the initiatives around Community Asset Transfer and the recently launched Schools Company (Edsential) and Day Services company (Wirral Evolutions).
- 3.20 **Service Changes:** The scale of the financial reductions which are imposed on us makes it impossible to avoid changing or reducing some services. We will do all we can to work with partners to manage the impact of those reductions, particularly on the most vulnerable, and we will challenge ourselves to be more efficient, to integrate more and come up with new solutions to make our money go further.

Table 2: Summary Of Agreed / Proposed Savings 2016/17

By Date	£m
Budget 2014/15 - December 2013	1.2
Budget 2015/16 - December 2014	1.9
Budget 2016/17 - Proposals December 2015	26.9
Additional savings identified (see 3.11)	3.1
Total	33.1

By Directorate	£m
Families and Wellbeing	5.7
Regeneration and Environment	7.8
Transformation and Resources	4.7
Corporate / Efficiencies	14.9
Total	33.1

- 3.21 The 2016/17 Budget process included a review of the issues identified from the 2015/16 monitoring. The degree and scale of change to deliver £38 million of savings in 2015/16 has been a significant challenge to successfully implement whilst still delivering services. Whilst the majority of savings have been delivered it is clear that challenges to implementation remain. The development of the 2016/17 savings proposals included reviews and challenge sessions across the Directorates as well as a further review by the Interim Strategic Finance Advisor. The process sought to ensure the budget proposed is robust and takes account of potential risks that can be quantified.
- 3.22 The savings to be delivered during 2016/17 include those delayed from 2015/16 and whilst a significant element of these have been / will be delivered those identified as 'transformation' are the main areas where there are risks associated with the successful delivery in 2016/17.
- 3.23 Progress on delivery will be monitored through the Financial Monitoring arrangements already in place and the developing area of the revised Transformation Programme and reported to Cabinet on a quarterly basis. The risk of delays in the implementation of savings is recognised and rather than be covered by an element of the General Fund Balances is to be addressed by the creation of a Revenue Budget Contingency in 2016/17.

GROWTH ITEMS

- 3.24 The Budget Projections for 2016/17 included an assessment of growth arising from demographic changes, inflationary rises and agreed options. All Strategic Directors and Chief Officers identified potential growth bids that were reviewed by internal challenge as to their validity and justification.
- 3.25 The agreed growth bids are detailed at Appendix 2. These have been accepted where the Council has a contractual obligation to fulfil. The growth

includes the re-instatement in the Budget the savings from the Extra Care Housing initiatives as these have been deferred as the schemes are subject to further negotiations with potential developers and providers. For completeness this growth includes those items of a corporate nature held as a central liability such as future pay awards.

- 3.26 Within the savings identified under Income and Resources Management there are a number which have removed previous growth assumptions including such as potential levy increases. The growth included Prevention and support for vulnerable families (£0.5 million) and Housing (£0.25 million) that is to be funded for a final year through the Community Fund set up by the Council / Wirral Partnership Homes following the transfer of the Council housing stock in 2005.

Table 3 : Summary of the Growth

	2016/17
By Change	£m
Demographic	1.3
Other	0.4
Inflation	0.5
Unallocated (legislative)	6.5
Total	8.7

- 3.27 At this stage there are items for which there is uncertainty such as the future of the Specific Government Grants for which announcements from the Government are still awaited.

LEVIES

- 3.28 There is a statutory requirement to agree the levies for 2016/17 before 14 February 2016 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.
- 3.29 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 5 February 2016. In overall terms the Transport Levy reduces by 7.3% due to reductions in operating costs and additional income generated by Merseytravel. The Wirral levy for 2016/17 will reduce by £1.949 million (7.4%) which is reflected in Table 2 being higher than the £0.5 million originally forecast.
- 3.30 The Merseyside Recycling & Waste Authority met on 5 February 2016 and is considering further options regarding the Waste Levy for 2016/17. This will require the use of balances in order to mitigate any increase which is projected to be over 3% in each of the following years. At this stage it is anticipated that the levy on Wirral will be similar to 2015/16.

- 3.31 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 2016/17.

PENSIONS

- 3.32 The Merseyside Pension Fund was subject to the triennial valuation in 2013. The actuarial assessment determines both the Contribution Rates for Employers and the Deficit Recovery Payments for the financial years 2014/15 to 2016/17. The next valuation is due in 2016 and will impact upon the payments for 2017/18 to 2019/20.
- 3.33 Contribution rates have been set at 13.6% from 2014/15 being based upon payroll costs and numbers employed so will vary with reductions in the workforce. The Deficit Recovery payments are a separate element subject to annual increases as the recovery is deferred over three years but is fixed in that it does not vary with changes to employee numbers over the period.

Table 4 : Pension Fund Increased Costs

Description	2015/16	2016/17
	£m	£m
Deficit Recovery	9.2	9.6
Less : Budget 2013/14	-7.4	-7.4
Increase on 2013/14 figure	1.8	2.2
Pension Contribution increase	1.4	1.4
Total Increased Costs	3.2	3.6

- 3.34 The increase of £0.4 million for 2016/17 is within the Budget Projections. An indicative sum to reflect the impact of the next triennial valuation of £2.5 million has been included in the budget projections for 2017/18.

INCOME STRATEGY

- 3.35 With Business Rates to be retained locally from 2020 and the phasing out of the main Government Revenue Support Grant income generation assumes even greater importance. The Council continues to look at income opportunities having regard to the level of risk and linkages to the priorities as set out in the Wirral Plan and in the underpinning Growth, Treasury Management and Asset Management Strategies. Within the range of income sources is also that received through fees and charges.
- 3.36 Within the Growth Strategy are the areas of developing and expanding business growth which brings economic benefits to Wirral as well as additional income from Business Rates and from increasing the housing stock on Wirral with this generating additional Council Tax income.

- 3.37 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held (be it through Government Grants received in advance of the need to spend or sums held in balances to meet unplanned spending or reserves required to meet future spend) in areas to generate an income having regard to the risks associated with investment. Also the minimising of borrowing costs (through the use of internal funds to defer the need to borrow).
- 3.38 Within Asset Management there is investment made in properties which generate a return such as Industrial Units and through working with Wirral partners assets deemed as surplus to requirements are released which both reduces running costs and also generates income through Capital Receipts.
- 3.39 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.
- 3.40 Directorates have examined their fees and charges for the 2016/17 financial year and set them according to the circumstance of their services. No general inflationary increase has been applied. Any changes, including new charges and those linked to an agreed saving, have been incorporated into the Directory with changes in income targets reflected in the 2016/17 Budget. Appendix 3 provides more detail.
- 3.41 Cabinet is asked to note the Directory and give Delegated Authority to the Acting Section 151 Officer to update the Directory as charges are finalised prior to publication before 1 April 2016.
- 3.42 Cabinet is also asked to agree to giving delegated authority to the Portfolio Holder in consultation with the relevant Director and Acting Section 151 Officer to vary existing fees and charges.

LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)

- 3.43 The Provisional LGFS was announced on 18 December 2015 and the consultation closed on 15 January 2016. The Final Settlement was announced on 8 February 2016 which saw the position for Wirral being unchanged.
- 3.44 The Settlement sees Wirral's main grant reducing by £14 million in 2016/17. In 2015/16 Wirral received total main grant funding of £65 million and for 2016/17 the announced amount is £51 million. This reduction is some £2 million higher than the initial projections and has increased by a further £2.1 million through the Government consolidating previously separate Social Services Grants within the main grant. The total reduction in 2016/17 is therefore £16 million.
- 3.45 Prior to 2015/16 the Government provided a grant to fund the Local Welfare Assistance responsibility transferred to local authorities from the

Department for Work and Pensions. There is no Government grant for 2016/17 although the Provisional Settlement includes an indicative amount of £1.2 million for spend in this area but no funding.

- 3.46 In 2016/17 the New Homes Bonus Grant has increased to £3.2 million from £2.6 million in 2015/16. This increase of £0.6 million is in line with projections. The Government has launched a consultation on the future arrangements for the New Homes Bonus Scheme as the present funding will be significantly reduced from 2017/18 as the resources are transferred to the Better Care Fund.
- 3.47 Announcements are still awaited in relation to a number of ring-fenced grants of which the largest is the Public Health Grant. During 2015/16 this was increased when responsibility for the Public Health of Children aged 0-5 transferred to local authorities from October 2015. However it was also subject to an in-year reduction of £1.9 million. At this stage the projections assume a £3 million reduction in 2016/17.
- 3.48 The most significant changes are again in the area of Adult Social Care. As referred to earlier Government support for the impact of the Care Act in 2015/16 of £2.1 million has now been included within the main Revenue Support Grant. From July 2015 responsibility for the Independent Living Fund transferred to the Council from the Department of Work and Pensions and additional funding of £1.8 million per year is anticipated. The Government launched a consultation on the Fund on 10 February 2016 with indicative grant figures seeing Wirral receiving £1.7 million in 2016/17 so this grant has not been confirmed.
- 3.49 Since April 2015 a Better Care Fund (BCF) pooled budget arrangement has been in place with Wirral CCG and operates under Section 75 joint governance arrangements being hosted by the Council. A condition of accessing the money in the Fund is that spend must be in line with the jointly agreed spending plans and these plans must meet certain requirements. The Wirral Fund comprises existing Wirral CCG and Wirral Council funding with the Council funding including Disabled Facilities Grant (£2.1 million), Social Care Capital Grant (£1 million) and the NHS Social Care Transfer Grant (£6.7 million). The Government has announced that there will be an increase in the BCF allocations from 2017/18 onwards.
- 3.50 The Government also announced that Adult Social Care authorities are able to levy a 2% Adult Social Care precept from April 2016. This has to be separately identified on the Council Tax bill and its purpose is to help meet the demand pressures for care services. The details of how this is to be identified and reported are still to be confirmed but the indications are that the S151 Officers will have to demonstrate that this increasing additional resource has been allocated to Adult Social Care budgets each year that it is levied.
- 3.51 Following the Supreme Court ruling in March 2014 all local authorities have been faced with additional pressures in respect of the Deprivation of Liberty

Safeguards (DoLS). No additional funding has been provided from the Government.

COUNCIL TAX

- 3.52 Cabinet on 17 December 2015 agreed the Council Tax Base for use in 2016/17. 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.

Table 5: Wirral Council Tax Band D calculation 2016/17

Band	Properties as at October 2015	Changes due to Council Tax Support, discounts and exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	59,950	-26,004	33,946	6/9	22,630.6
B	32,142	-7,681	24,461	7/9	19,025.6
C	27,109	-4,331	22,778	8/9	20,247.4
D	13,196	-1,529	11,667	9/9	11,666.6
E	8,073	-730	7,343	11/9	8,974.4
F	4,238	-318	3,920	13/9	5,661.8
G	3,082	-189	2,893	15/9	4,820.8
H	261	-35	226	18/9	452.7
Band A Disabled (<i>1/9th of Band A</i>)			75	5/9	41.4
Total	148,051	-40,817	107,309		93,521.3
Collection Rate					x 96.75%
Adjusted Council Tax-Base 2016/17					90,481.9
Council Tax Base 2015/16					89,345.0

- 3.53 The increase in the Council Tax Base from 2015/16 has seen the projected Council Tax income for 2016/17 increase by £1.6 million which is reflected in the Budget 2016/17.
- 3.54 The Government has announced that there will not be a Council Tax Freeze Grant in 2016/17 for Councils which freeze Council Tax levels. For Councils which agree to increase Council Tax the Government has again imposed the requirement for a Council Tax Referendum of increases of 2% and over. However for Adult Social Care authorities this is set at 3.99% as it includes the 2% Adult Social Care precept. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2016/17 and 2017/18 (includes levies).
- 3.55 Cabinet / Council in December 2015 announced that the assumption was that Council Tax levels would be increased 1.99% and the 2% Adult Social Care Precept subject to the Final Settlement.

Table 6: Council Tax Options

Options	£m
Tax Rise of 1.99% for Council Services	2.3
Plus Tax Rise of 2% for Adult Social Care	+2.3
Tax Rise of 3.99% being below the Referendum Level	4.6

BUSINESS RATES

- 3.56 The Local Government Finance System changed from 1 April 2013 and billing authorities retain a proportion of locally raised business rates and either pay a tariff or (as in Wirral's case) receive a top-up to ensure a comparable starting position with the previous funding system.
- 3.57 Business Rates is a particularly complex and volatile tax area that can 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 inc empty property and charitable reliefs.
 - Assessment of bad and doubtful debts.
- 3.58 Business Rates are managed through the Collection Fund with any surplus / deficit being allocated to Central Government 50%, to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%.
- 3.59 A declaration of an estimated surplus or deficit for the 2015/16 financial year together with a forecast for 2016/17 had to be submitted to the Government by 31 January 2016. Business Rates are managed through The forecast Business Rates income for 2016/17 shows that the receipts to the Council will increase by £1.5 million from the 2015/16 levels which is £0.3 million less than the Budget projections. The shortfall is to be covered from the Business Rates Equalisation Reserve for 2016/17.
- 3.60 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. In completing the declaration the above factors are relevant and there has been liaison with the Department for Communities and Local Government over amendments to the declaration and clarification sought over entries particularly relating to the Enterprise Zone. The declaration was submitted on 29 January 2016.
- 3.61 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 2016/17 is awaited from Government.

LEVEL OF GENERAL FUND BALANCES

- 3.62 Sound financial management principles require that sufficient funds are retained by the Council to provide a stable financial base at all times. To retain this stable financial base the Council needs to maintain a General Fund balance that is sufficient to provide a financial reserve for unanticipated / emergency expenditure.
- 3.63 The level of Balances should be based on the Council's own specific circumstances. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the Accounting Code). Appendix 4 has the calculation updated and adapted for 2016/17 with the main change being the exclusion of an element for the risk associated with the deliverability of the savings. This change in the method of assessment is due to the introduction this year of a detailed risk assessment of savings. For 2015/16 there was a general assessment of savings that lead to a generic amount included in the balances calculation. To enable a better control of savings risks a discrete amount is to be included in the Revenue Budget to mitigate the risk associated with these savings. This will be partly funded by a release of General Fund Balances of £3 million as they are projected to be £14.5 million at 31 March 2016 and the revised assessment is for £11.5 million.

Table 7: Summary Of The Assessed Level Of General Fund Balances

	2015/16	2016/17
	£m	£m
Assessed at February 2016	17.4	11.5
Assessed at February 2015	17.4	17.3

- 3.64 The latest Monitoring Report (December 2015 - Month 9) showed the projected balance at 31 March 2016 to be £14.5 million. This is based on a projected overspend of £0.1 million for which work to reduce / eliminate this overspend continues.

Table 8: Summary Of the Projected General Fund Balances

Details	£m
Balance 31 March 2015 when setting the Budget 2015/16	+17.4
Add : Increase following closure of 2014/15 Accounts	+1.4
Less : Transfer to General Fund	-4.2
Less : Potential overspend at August 2015	-0.1
Projected balance 31 March 2016	+14.5

REVIEW OF RESERVES

3.65 Resources set-aside for specific purposes as reserves should be established and used in accordance with the purposes intended. These are reviewed at least twice a year including in preparation for the 2016/17 Budget. The review recommends the release of £6.5 million of those reserves which are detailed in the Appendix 5 as being no longer required and used to create a Revenue Contingency Budget for 2016/17.

3.66 **Table 9 : Categories of Reserves**

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc
RE-MODELLING / TRANSFORMATION FUND Support the development and transformation of the Council which includes the investment to deliver future savings and one-off workforce reduction costs
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 such as Public Health, Supporting People and Troubled Families and were the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements

REVENUE BUDGET CONTINGENCY

3.67 It is proposed to create a Revenue Budget Contingency drawn from General Fund Balances and the release of Earmarked Reserves. This 'one-off' source of funding within the Revenue Budget is to mitigate the financial risks associated with the implementation of savings requiring transformation, the previously highlighted 2015/16 issues in delivering some savings whilst facing increasing financial pressures in demand led services.

3.68 The use of this contingency will be monitored during 2016/17, incorporated within the Financial Monitoring reports to Cabinet, prior to any potential continuation across the MTFS period. This allows sufficient time to implement the savings proposals and any required transformation whilst avoiding unnecessary risk associated with the high level of savings the Council is required to make.

3.69 In previous years an amount has been held in General Fund Balances to cover the potential risk of the failure to deliver savings. This has been excluded from the calculation for 2016/17 and instead is covered by the contingency. The reasons for the non-deliverability are being thoroughly

reviewed and the necessary resources to deliver the transformation are to be put in place to make this happen/

3.70 Table 10 : Risk / Pressures in the Budget 2016/17

Summary of Risks / Pressures 2016/17	£m
Adult Social Services Overspend 2015/16 Slippage in savings and increased pressures. Action plan being developed to contain the level of overspend and meet the demand pressures but this is the projected requirement.	2.4
Adult Social Services to contain demand for 2016/17. Based on the work with Health which will see the integration of service delivery for which this Transformation is being jointly driven.	-
Children's Services Looked After Children Placements / costs increased during 2015/16. This was in addition to the planned saving of £1.4m which was deferred to 2016/17 and in addition to the projected overspend of £2.6m. Action plan being developed but this is the projected risk.	4.0
Transport Savings 2015/16 and earlier not delivered. Assumes £0.5m achieved but needs full review of transport requirements.	1.0
Remodelling Of the £10.9m savings target there are no proposals to deliver the residual balance so the Budget needs to be re-instated.	1.7
Contingency based on other 2016/17 savings The delivery within Budget in respect of Adults / Children's Services, Terms and Conditions and the risk of others not fully delivering in 2016/17.	3.9
Total risks / pressures	13.0

3.71 As the assessment gives an indication that the risks / pressures are likely to materialise action needs to be taken to ensure the Budget is deliverable. To establish the Revenue Budget Contingency sums have been identified. The Transformation Fund will be used to meet any late changes.

Table 11 : Creation of the Revenue Budget Contingency

Creation of Revenue Contingency 2016/17	£m
From surplus of savings (see 3.9)	1.9
From General Fund Balances (see 3.63)	3.0
From release of Reserves (see 3.65)	6.5
From Transformation Fund (balance)	1.6
Total	13.0

CAPITAL AND INVESTMENTS

3.72 The Capital Programme and Financing report on this agenda details the process followed in order to determine the Programme. Revised and new

submissions for inclusion in the Programme were assessed having regard to the regular re-profiling reported to Cabinet so attention was paid to the planned phasing of spend for the new submissions. The report concludes that the Programme can be accommodated from existing borrowing and the present, and projected, capital receipts. The revenue implications from the programme are included within the Revenue Budget.

- 3.73 As in previous years the Treasury Management Monitoring report has highlighted the low returns from investments given the current economic position. Therefore the Council has sought to use internal borrowing in lieu of external borrowing which in the short-term realises financial benefits. Whilst this further reduces the income from investments it does realise greater savings in respect of reduced borrowing costs.
- 3.74 The realisation, and use, of significant capital receipts during 2016/17 will enable the Programme to be funded from a combination of grants, capital receipts and internal borrowing thereby avoiding the need for external borrowing and achieving the £1.9 million Capital Financing efficiency savings for 2016/17.
- 3.75 The Government also announced flexibilities over the use of Capital Receipts received after the 1 April 2016 for a period of three years as they can be used to support revenue spending in the area of transformation. This approach has to be agreed by Council and provides a further resource to supplement the Council's Transformation Reserve. The restrictions regarding using capital to fund general revenue spending remain.

ROBUSTNESS OF THE ESTIMATES

- 3.76 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Acting 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.
- 3.77 Appendix 6 sets out the requirements and the actions taken by the Council in relation to the Robustness of both the Revenue Estimates and the Capital Programme. The Annex contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

SETTING THE COUNCIL TAX LEVELS

- 3.78 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 2016/17 is not excessive meaning that a Referendum is not necessary.

- 3.79 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 2016/17 with that for 2015/16 for the Council's basic amount of Council Tax. The Local Finance Settlement 2016/17 sets the Referendum 'trigger' at 3.99% for Adult Social Care authorities with 2% being for Adult Social Care.
- 3.80 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 2016/17.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Budget projections for 2016/17 as set out in Table 1 updated to reflect the implementation of the Revenue Budget Contingency show that a balanced, and deliverable, Budget can be set. This includes the 3.99% increase in Wirral Council Tax which includes 2% for Adult Social Care.

Table 12: Changes to Budget Proposals and Budget Gap

Projected updated Budget Gap	£m	£m
Original Budget Gap		24
Add : Further reductions in the Grants (see 3.10)		+4
Updated Budget Gap		28
Less : Additional Resources savings (see 3.11)		-3
Updated Budget Gap		25
Less: Proposed Savings		27
Revised Budget Position is a 'surplus'		-2
Less : Allocated to Budget Contingency		2
Balance Available		0

- 4.2 Looking at future years the Budget Gap will be addressed by a combination of additional income and savings / efficiencies. Regeneration activities and the release of surplus assets for housing and businesses will be used to potentially increase Business Rates income and Council Tax income respectively. This will be addressed as part of the work to develop the Wirral Plan 2020/ 21 to be considered by Cabinet / Council in July 2016.
- 4.3 The level of General Fund Balances is projected to be in the order of the £11.5 million minimum required for 2016/17.

5.0 LEGAL IMPLICATIONS

- 5.1 The Council is required to agree a Budget for 2016/17 by 10 March 2016. 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 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 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 ICT continues and the future years will see the development and implementation of a Digital Strategy. In respect of assets the Council is reducing the number of buildings it has in order to reduce running costs and also generate capital receipts from the disposal of surplus assets which are used to fund capital investment. Those proposals that include implications for staff form part of the engagement and consultation with Trade Unions and employees.

7.0 RELEVANT RISKS

- 7.1 The financial position for 2016/21 is based on forecast amounts which are outside of Council control such as Government funding and the levies from other bodies as well as reflecting changing demand for services. A key risk is that any of these assumptions can change which is increasingly the case when projections are made over the medium term. This is mitigated by keeping the MTFs under, at least, an annual review.
- 7.2 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 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.

- 7.4 The scale of the financial challenge and the Council's ambitious response to enable it to deliver the very best outcomes from increasingly limited resources inevitably carries risk. To mitigate the risks associated with the delivery of the transformation required, which includes the identification and progression of Alternative Delivery Models, a transformation Programme is being developed. Funding for implementing the change exists in the Remodelling Reserve / Transformation Fund.
- 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 le services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2016/17 will include a Revenue Budget Contingency to meet the identified risks and there is also the General Fund Balances.
- 7.6 At the time of writing this report a number of the savings options are subject to the conclusion of engagement / consultation with residents and other stakeholders. The Revenue Budget Contingency / General Fund Balances would meet any slippage or changes in the delivery of the proposals.
- 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.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Following Cabinet on 17 December 2015 an appropriate, robust and meaningful consultation on the Budget proposals presented to that meeting commenced. This ran from 18 December 2015 to 29 January 2016 and a report on the Outcomes of the Consultation 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 Savings 2016/17
Appendix 2 Growth Submissions 2016/17
Appendix 3 Fees and Charges
(the draft Fees and Charges Directory can be accessed through the Background Documents to this Cabinet Agenda).
Appendix 4 Level of General Fund Balances.
Appendix 5 Reserves.
Appendix 6 Chief Financial Officer Statement (Robustness of Estimates).

REFERENCE MATERIAL

Council Budget 2015/16 agreed by Council on 25 February 2015.
Autumn Statement issued by HM Treasury on 3 December 2015.
Provisional Local Government Finance Settlement 2016/17 issued by the Department for Communities and Local Government – 18 December 2015.
Final Local Government Finance Settlement 2016/17 issued by the Department for Communities and Local Government – 8 February 2016.
Section 25 - Local Government Act 2003.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Revenue Budget 2015/16 and Council Tax Levels 2015/16	10 February 2015
Council – Wirral Plan	13 July 2015
Cabinet - Budget Council Arrangements	5 November 2015
Cabinet – Council Budget 2016/17 and Medium term Financial Strategy	17 December 2015