



COUNCILLOR PHIL DAVIES

CABINET
8 DECEMBER 2016
MEDIUM TERM FINANCIAL STRATEGY
AND COUNCIL BUDGET 2017/18

Councillor Phil Davies (Leader of the Council) said :

“Every year, this Council faces a growing challenge to set a budget which enables us to protect the vulnerable and improve the lives of our residents. To achieve this we have to balance the rising costs and demand for services with the income we raise from Business Rates and Council Tax and the shrinking grants we receive from Central Government.

“To deal with these challenges, Councils like Wirral have historically survived by making minor reductions to services, small increases in charges and asking our staff and our partners to do lot more with a lot less. This time, the truth is incremental change will no longer get the job done.

“Over the next four years, Wirral Council has to find from increased income or spending reductions £132 million. That’s on top of the huge reductions and cuts we have already had to absorb and includes the requirement to find £45 million just next year.

“We have ambitions for Wirral which we will not lower or compromise. We are planning long term, and will design a budget strategy covering the next four years which will allow us to deliver fundamental redesign of how the Council works and the services it provides.

“We have spelled out where our priorities lie. The Wirral Plan and our 20 Pledges are our contract with the people of Wirral and we will deliver as promised. In this new age for local government, it is our job to make sure we focus our efforts, our resources and our energy on what is truly important to residents.”

REPORT SUMMARY

Over the next four years, Wirral Council is projecting a funding gap of £132 million due in part to Government austerity measures, rising costs and increasing demand for services.

This report presents a Financial Strategy to enable the Council to set a balanced budget for 2017/18 and provide provisional budgets for the subsequent three years to 2020/21.

Over this period the Council will review every service currently provided, developing a range of new delivery arrangements to ensure the right outcomes are achieved for Wirral residents at a sustainable cost. The Transformation Programme is a critical programme of work, which will take time to deliver but ensure the organisation is able to meet its promises to residents within much reduced financial resources.

Under Government plans local authorities will no longer receive the general Revenue Support Grant and become largely self-reliant based on income generated from Council Tax, Business Rates and Fees and charges. A major focus in the Financial Strategy is on generating more income to enable the Wirral Plan to be delivered.

The report affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

- 1 The forecast Budget funding gap for 2017/18 is currently £45 million and that the projected Budget funding gap for the period 2017/21 is £132 million be noted.
- 2 The impact of the Budget reductions and proposals for 2017/18-2020/21 as summarised in Section 3 be noted.
- 3 Officers be authorised to complete any required consultation and engagement with residents, partners and other stakeholders where required on the budget proposals in advance of Budget decisions in February 2017.
- 4 This report be presented to the Overview and Scrutiny Committee workshops which are to be scheduled for January 2017 to consider the proposals in advance of budget decisions in February 2017.
- 5 An updated Budget Report and Medium Term Financial Strategy be presented to Cabinet on 20 February 2017. This to cover the updated financial projections, including the impact of the Local Government Finance Settlement expected in mid-December 2016, and the outcome from the engagement and consultation undertaken.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The Medium Term Financial Strategy supports the delivery of the Wirral Plan. The Strategy, and associated financial governance arrangements, is key to ensuring the Council is well run and financially stable. Throughout the year major financial matters are presented to Cabinet in a series of reports which highlight the financial position so enabling decisions to be taken to ensure the Council remains financially stable.
- 1.2 The Council has to meet a legal requirement to set a balanced Budget in March 2017 for the 2017/18 financial year. This report details the approach and includes proposals and initiatives to meet the challenge for 2017/18 and for the following three year period as the Medium Term Financial Strategy supports the delivery of the Wirral Plan.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council has a legal requirement to set a balanced Budget each March for the following financial year. This report details proposals and initiatives which are subject to any appropriate engagement and consultation and, if implemented, increase income or reduce expenditure and assist in decisions regarding setting the Budget.

3.0 BACKGROUND INFORMATION

- 3.1 The Council continues to face unprecedented financial challenges. The Government has announced the removal of the Revenue Support Grant and that local authorities will retain 100% of Business Rates. Authorities will effectively be funded from Business Rates, Council Tax, income generated locally and any Specific Grants from Government. Against this the Council faces additional costs from increasing demand for services as a consequence of the demographic changes associated with an ageing population.
- 3.2 Wirral, along with the vast majority of local authorities, accepted the Government 4 Year Settlement Offer. Whilst this provides certainty of funding over the period 2016/17-2019/20 in that the annual reductions in Grant are clear it also confirms increasing Council Tax by 3.99% per year (which includes the 2% Adult Social Care Precept) and increasing Council Tax income through the building of a minimum of 700 homes per year. This will see Council income at approximately the same level in 2020 as in 2016.
- 3.3 The proposals detailed in this report are intended to enable the Council to manage the pressures in a planned way not only to meet the legal requirement for a balanced Budget for 2017/18 but also contribute towards addressing the forecast funding gap over the period of the Medium Term Financial Strategy 2018/19-2020/21.

THE WIRRAL PLAN

- 3.4 The Council Plan was approved by Council on 13 July 2015 and was then adopted by all strategic partners from the public, private and third sectors to create the first Wirral Plan.
- 3.5 The Plan provides a clear ambition for the borough 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 is enjoyed by everyone who lives here.

- 3.6 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 committed to playing a lead role in achieving 8 of the 20 pledges.
- 3.7 There are a series of Strategies which support the Plan that have been agreed and have been developed into a series of under-pinning Delivery Plans and the outcomes of this work will inform the development of the MTFS.

MEDIUM TERM FINANCIAL STRATEGY 2017/2021

- 3.8 The current Medium Term Financial Strategy (MTFS) covering 2016/17-2020/21 was approved by Council in March 2016. This detailed the financial challenge and the size of the anticipated remaining funding gap.
- 3.9 The Wirral Plan provides the framework within which the Budget and the MTFS will be developed and informs the development of budgets, the prioritisation of resources and the difficult decisions that need to be made. The intention is to determine a sustainable and stable budget over the period.
- 3.10 As previously reported the four years 2017/18 to 2020/21 sees the Council facing a continued, challenging financial future. The ending of the general Government Grant together with the pressures of demographic changes and inflation mean there is an anticipated funding gap of £132 million over the four years and this includes a £45 million funding gap in 2017/18.

3.11 Previously reported Four Year Budget Gap (if no actions taken)

Year	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Projected Spend	286	304	322	340
Projected Income	241	234	227	208
Cumulative Gap	45	70	95	132
Gap	45	25	25	37

3.12 The objective is to develop a Strategy and associated programme of changes to close the funding gap and focus future limited resources on the delivery of Wirral Plan outcomes and pledges. This includes using the Council's projected net revenue budget in the best way to deliver on our pledges, in partnership with our other public sector colleagues.

3.13 Forecasts of the financial position are kept under review as circumstances change and decisions are taken. These are based on assumptions about inflation, financial pressures and levels of income such as grant.

THE BUDGET STRATEGY

3.14 Our Medium Term Financial Strategy focusses on ensuring resources are targeted towards achieving the 20 Pledges articulated in the Wirral Plan whilst operating within the reduced financial envelope we have available. The total budget deficit for the MTFS period is projected to be £132 million, with greater pressure being faced in the earlier part of the period.

3.15 The financial position remains subject to review. The Chancellor's Autumn Statement on 23 November 2016 confirmed the Government Department Spending Plans which were agreed in 2015 so Government funding and support for social care remained unchanged. The Local Government Finance Settlement will follow by mid-December 2016. The Transport and Waste levies will not be confirmed until February 2017.

3.16 The Council is increasingly planning for the longer-term, with a view to setting sustainable and achievable plans to deliver improved outcomes for local people. The budget proposals for 2017/18-2020/21 that follow demonstrate that approach; with a focus on ensuring resources are invested in the right places, taking regard of the needs of residents and the Wirral Plan pledges.

3.17 This structured and strategic approach to budget setting over the medium term reflects the changing circumstances in which the Council and partners operate. It means there is a demand to take a longer and higher-level view of what Wirral will look like and need in the future. It requires the maximisation of every opportunity to innovate and increase income. The Strategy that has driven the development of budget proposals has overarching themes of Delivering Differently, Income and Resources and Service Changes.

THEME : DELIVERING DIFFERENTLY

- 3.18 The Wirral Plan sets out how public services will work together to deliver our ambitions for Wirral. The Transformation Programme is a fundamental redesign of what the Council provides and more importantly how the services are provided. It will cover almost all of the Council's directly-provided services to re-focus their delivery on the outcomes agreed in the Wirral Plan.
- 3.19 This Programme is critical to the achievement of a balanced budget across the MTFS period. It is an ongoing programme to both transform our services and achieve significant savings. While not sufficient to cover the total funding gap they form a key part of the budget strategy for 2017/18 and beyond. The Transformation Programme has two main strands, Customer Experience and Assets, as described in the table below:

CUSTOMER EXPERIENCE	ASSETS
To define and transform services to meet the needs of Wirral residents.	To reform the Wirral estate to be efficient and strategically constructed, to support the 20 Pledges and increase income.
Target areas include: <ul style="list-style-type: none"> ▪ Integration in Adult Social Care ▪ Children's Services ▪ Community Safety ▪ Customer Insight and Segmentation ▪ Customer Contact 	Target areas include; <ul style="list-style-type: none"> ▪ Consolidation of office accommodation ▪ Development of 'One Public Estate', to encourage better use of buildings by partners ▪ Commercialisation ▪ Service transformation: Libraries, Leisure, Culture and Parks and Open Spaces

- 3.20 Achieving change of this scale is complex and takes time to develop the alternatives that are both deliverable and sustainable so the balance between speed and accuracy is critical to a successful outcome.
- 3.21 **Delivering Differently: Summary of the Proposals**

DELIVERING DIFFERENTLY	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Leisure and Cultural Services	0.80	-	-	10.30	11.10
Access Wirral	0.30	-	-	4.30	4.60
Community Safety (Safer Wirral)	-	-	-	0.10	0.10
Adult Social Care Integration	2.90	4.00	3.50	4.00	14.40
Children's Services Managing Demand	1.40	3.70	3.70	1.20	10.00
Sub Total	5.40	7.70	7.20	19.90	40.20

3.22 Commentary supporting the proposals:-

- The initial proposals for leisure and cultural services are based on the completion of the transfer of the Beechwood Community Centre, additional income being generated following investment into the facilities at the Oval and Leasowe Sports Centres and a review of operating arrangements at Woodchurch Centre. A detailed review is being undertaken of leisure and cultural services, including the Council's leisure services, parks and open spaces, cultural services (including the Floral Pavilion, Williamson Art Gallery and Birkenhead Priory) and libraries. The proposals from this review will be available in early 2017 with a report to be presented to Cabinet for consideration.
- Under Access Wirral initial options are based on service efficiencies and the removal of vacant posts. A programme to redesign access to council services, improving how residents can contact and do business with the Council, is being developed through the Transformation Programme.
- The 2016/17 initiative to deliver the co-location, transfer and integration of Community Safety to the Police will provide an opportunity to deliver efficiency savings at a later point in the four year period.
- Along with the majority of local authorities Wirral faces increasing demand in both adults and children's social care. Our aim is to manage this demand (and the cost) of specialist, substantial services through progressing with major integration projects with health sector partners. This sees initial work around Adult Social Care Commissioning and Older People's Services being integrated with the Wirral Clinical Commissioning Group and the Wirral Community Trust respectively from 2017/18.
- The Council response to the Ofsted report into Children's Services which was issued in September 2016 requires investment to transform the service provided. This investment is being evaluated and will form part of the Council's Transformation Programme (thereby funded through Capital Receipts without increasing pressure on the revenue budget). The proposals relate to work to ensure Children's Services require no ongoing growth through managing demand more effectively.

THEME : INCOME AND RESOURCES

- 3.23 Government proposals will result in local authorities receiving no general Revenue Support Grant from 2020 and being increasingly reliant upon the income generated locally from Council Tax, Business Rates and Fees and Charges.

3.24 The Council must do all it can to build a stronger financial position. Maximising our income to offset the requirement for cuts is incredibly important to our Strategy. Every pound we generate is a pound that can be invested in securing services people need. This will not be achieved through simply charging more for services. The Wirral Plan sets out aims to increase investment, jobs and housing in the borough. This involves making better use of the assets available to ourselves and partners and translates into higher levels of Business Rates, Council Tax and people in work.

3.25 As part of the effective and efficient management of resources the assumptions regarding future trends and indications from Government are kept under review. This also involves ensuring we get the best value for money from any contracts and that the services we purchase are those that best meet the needs of Wirral people.

3.26 Income and Resources: Summary of the Proposals

REVISED ASSUMPTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Revised Pay Assumptions (now 1%)	1.00	1.00	1.00	0.50	3.50
Removed General Prices Inflation	0.50	0.50	0.50	0.50	2.00
Removed Unallocated Growth	2.30	4.90	4.70	2.40	14.30
Reduced Treasury Management costs	2.00	-	-	-	2.00
Transformation Team Capitalisation	0.50	-	-0.50	-	-
Sub Total	6.30	6.40	5.70	3.40	21.80

3.27 Commentary on the proposals:-

- When making the financial projections a range of assumptions are made based upon the information available at that time. These are then subsequently refined as further information is obtained. This includes clarification that the Pay Award nationally has been projected at 1% and projections relating to inflation.
- Sums identified for potential growth have been removed and will be replaced should proposals be submitted for consideration by, and then subsequently confirmed, by Cabinet as part of the budget setting process.
- The reduced Treasury Management costs flow from the regular review of the Capital Programme and Treasury Management as reported to Cabinet with the capitalisation reflecting the opportunity offered by the flexibility around use of Capital Receipts.

INCREASING INCOME	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
C Tax Increase 1.99% per year	2.50	2.70	2.90	3.10	11.20
Adult Social Care Precept 2% per year	2.50	2.70	2.90	-	8.10
Housing Growth	1.10	1.70	5.30	7.60	15.70
Improved Better Care Fund	1.40	6.90	6.00	-	14.30
Business Rates	0.90	-	-	1.30	2.20
New Homes Bonus (phasing out)	-0.20	-1.50	-0.20	-0.60	-2.50
Increase in Planning Income	-	0.10	-	0.10	0.20
Litter and Dog fouling Fines	0.20	-	-	-	0.20
Sub Total	8.40	12.60	16.90	11.50	49.40

3.28 Commentary on the proposals:-

- As part of the Council accepting the Government's offer of a four-year Settlement covering 2016/17 to 2019/20, a number of conditions were attached. These included the agreement to implement both Council Tax and Social Care Precept increases of 1.99% and 2% per year. A further condition was to commit to achieving housebuilding targets on an annual basis throughout the four years. By meeting these conditions the Government projections were that authorities would have broadly the same income in 2020 as in 2016.
- In respect of the housing growth target Wirral Council has more than 13,000 extant planning permissions for new houses approved and will work to ensure a large proportion of these new homes are built, providing new housing for residents
- The Improved Better Care Fund is Government funding allocated to local authorities to support the Adult Social Care budget and was also agreed as part of the four-year Settlement. Along with the Adult Social Care Precept this additional income goes towards meeting the increasing demand for, and increasing costs of, social care.
- The increases in Business Rates are based on additional premises being added to the Rating List. Those for 2017/18 having been agreed since the 2016/17 Budget was set.
- As housing and regeneration schemes develop there will be an increase in planning applications and therefore fee income. The income from areas such as Fixed Penalty Notices for littering and dog fouling are agreed initiatives with the income now forming part of the budget in future years.

COMMISSIONING / CONTRACTS	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Estates and Assets Management	0.70	0.70	0.50	-	1.90
Range of Efficiencies	0.60	-	-	-	0.60
Digital (IT Savings)	0.20	-	-	-	0.20
Supported Housing Contract Efficiencies	0.75	-	-	-	0.75
Public Health (Renegotiated Contracts)	3.00	-	-	-	3.00
Changes in Waste Contract	0.50	-	-	-	0.50
LCR Integration of Adult Safeguarding	0.20	-	-	-	0.20
LCR Efficiencies: Specialist Transport	0.50	-	-	-	0.50
Transport Levy	2.50	2.30	2.10	1.80	8.70
Sub Total	8.95	3.00	2.60	1.80	16.35

3.29 Commentary on the proposals:-

- The Council is working with partners to deliver the Asset Strategy which includes the release of surplus assets whilst also looking to maximise income through rental and investment opportunities.
- Within the smaller value efficiencies there is work on reducing the Council energy costs with the proposal for a 10% reduction and a number of other small value areas such as the Environmental Health Levy.
- With the continued capital investment into Information Technology, there are benefits in respect of reductions in support with the savings realised that will be delivered in 2017/18.
- Supported Housing contracts continue to be reviewed. In previous years this has realised significant efficiencies and this continued in 2016/17 with further efficiencies identified which will be realised in 2017/18.
- Public Health continuously review contracts which are complex as many of the benefits are long-term. Through working with users as to the benefits being delivered a revised approach, particularly in relation to the contracts relating to Drugs and Alcohol have realised savings for 2017/18.
- The Council is seeking to negotiate a reduction in the cost of the Waste Contract.
- Across the Liverpool City Region there are projects underway which will deliver savings which cover Adult Safeguarding and Specialist Transport, The proposals are being developed over the coming months with the target savings set.
- Indications are that the transport Levy will be lower than the Council projections although this will not be confirmed until the Levy is set in February 2017.

FEES & CHARGES	17/18 £m	18/19 £m	19/20 £m	20/210 £m	TOTAL £m
Fees & Charges – general	1.00	1.00	1.00	1.00	4.00
Car Parking	1.05	0.25	-	-	1.30
Leisure Centres	0.50	-	-	-	0.50
Garden Waste Collection	0.40	-	-	-	0.40
Business Rates Discretionary Relief	0.30	-	-	-	0.30
Sub Total	3.25	1.25	1.00	1.00	6.50

3.30 Commentary on the proposals:-

- All fees and charges are being reviewed. This includes ensuring full recovery, particularly for specialist and technical services, and that the charges are reviewed with regards to inflationary changes, comparisons with other local authorities and adopting a more commercial approach. This is anticipated to lead to increased income in the region of £1 million and specific consultation on price increases will be delivered where appropriate.
- In respect of car parking the proposals include an increase in tariffs across the borough, likely to be in the region of 50p per hour. There are also proposals to introduce charges on some currently free car parks and parking areas for which consultation will be undertaken with relevant stakeholders.
- Small increases to the prices charged for the Invigor8 Leisure Centre membership, the pay and play prices within Leisure Centres, and garden waste collection service are proposed.
- Organisations on Wirral benefit from a number of Rate Reliefs. These include Small Businesses Rate Relief and a number of Mandatory Reliefs with the Council providing additional support. Options are to be presented to Cabinet on reducing the cost to Council Taxpayers by 50% with the relevant organisations having been given notice of this intention in 2015/16.

THEME : SERVICE CHANGES

- 3.31 It is inevitable, given the scale of our financial reductions we will have to make some service changes. We believe we have done a great deal to mitigate the impact of this, and will continue to work with our partners to ensure any reductions are managed in a strategic, planned way to ensure we do not lose focus on our overall vision for the borough.

3.32 Service Changes: Summary of the Proposals

SERVICE CHANGES	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Senior Management Reduction	0.50	-	-	-	0.50
Voluntary Redundancy Programme	0.50	-	-	-	0.50
Training Budgets	0.30	-0.30	-	-	-
Car Park Maintenance	0.10	-0.10	-	-	-
Constituency Committees	0.20	-0.20	-	-	-
Sub Total	1.60	-0.60	-	-	1.00

3.33 Commentary on the proposals:-

- Further reductions in the running costs of the Council through reducing senior management by a further 10% and reductions in the workforce through the voluntary redundancy programme.
- Three proposals relate to one year reductions in spending within training for both Council Officers and Members to providing essential, statutory training, car park maintenance and the funding allocated to Constituency Committees. Constituency Committees are to be reviewed during the year and will retain unallocated funding from prior to 2017/18.

3.34 SUMMARY OF THE PROPOSALS FOR 2017/18 AND THE MTFS 2017/21

THEME	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Delivering Differently	5.4	7.7	7.2	19.9	40.2
Income and Resources	26.9	23.2	26.2	17.7	94.0
Service Changes	1.6	+0.6	-	-	1.0
TOTAL PROPOSALS	33.9	30.3	33.4	37.6	135.2

3.35 BALANCING THE BUDGET

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Budget Gap	45.0	25.0	25.0	37.0	132.0
Total Proposals	33.9	30.3	33.4	37.6	135.2
Revised Gap	11.1	-5.3	-8.4	-0.6	-3.2
Use of Balances	11.1	4.8	-	-	

3.36 As can be seen from the tables above over the 4 year MTFS period the implementation and delivery of the proposals results in a projected 'surplus'. However the timing of this presents a Budget Gap in 2017/18 and 2018/19 which will require the use of balances in the region of £15.9 million.

3.37 The figures are subject to change given the awaited Local Government Finance Settlement, announcements on Specific Government Grants and the determination of the Levies. The position will be updated and reported to Cabinet on 20 February 2017 when the outcomes of any appropriate consultation will also be considered. Whilst there are proposals for subsequent years the budgets for the later years will be reviewed and refined before being formally approved in advance of each year.

GENERAL FUND BALANCES AND RESERVES

3.38 The level of General Fund balances and reserves that the Council maintains is critical to its financial resilience. It is important balances and reserves maintained are sufficient to fund costs that occur be it from planned activities or unexpected events. A review of reserves, provisions and General Fund balances is being undertaken as part of the process to set the 2017/18 Budget. This will take account of the financial risks anticipated to be faced in the coming period 2016/21 and known commitments and plans. The outcome of the review will be reported to Cabinet on 20 February 2017 and will be based upon:-

RELEASE OF RESERVES	£m	COMMENT
Collection Fund	4.5	Position has to be formally declared by 22 January 2017.
Insurance Fund	2.5	Report to recommend release based on claims management.
Business Rates Reserve	8.5	Reserve for potential appeals which can be back-dated and 'safety net'.
General reserves	tbc	Any additional sums identified to be added to General Balances.

CAPITAL PROGRAMME AND USE OF CAPITAL RECEIPTS

3.39 The Council has a planned 2016/19 Capital Programme and the 2017/18 onwards Programme will be reported to Budget Cabinet. In preparing this the existing Programme will be revised with the re-profiling of schemes and the resources anticipated being available. New schemes will be considered for inclusion in the Programme. The revisions will also include the use of capital receipts to fund the Transformation Programme.

3.40 The capital receipts flexibility announced in the Autumn Statement 2015 and changed the rules regarding their use. From 1 April 2016 to 31 March 2019 the Council is able to spend any receipts generated from the sale of assets, excluding Housing Right-to-buy receipts, on expenditure that:

- Generates on-going revenue savings in the delivery of public services.
- Transforms services delivery to reduce costs.
- Transforms service delivery in a way that reduces costs or demand for services in future years for any of the Councils public sector delivery partners.

The Government guidance includes the following examples:

- Sharing Services.
- Service Reform.
- Collaboration between Councils.
- Service reconfiguration, restructuring or rationalisation.
- Setting up Alternative Delivery Models.

3.41 The key criteria as to whether expenditure can be funded using capital receipts flexibility is that it is forecast to generate ongoing savings. It has also been specified that the flexibility only applies to set-up and implementation costs of any new process or arrangements. The Transformation Programme will incur expenditure of this nature in order to realise the savings that have been proposed.

3.42 To comply with Government guidance the Council must prepare and publish annually a flexible use of Capital Receipts Strategy. This should as a minimum list each project and detail the expected savings and services transformation anticipated to take place. The Strategy will form part of the Capital Programme to be submitted to Cabinet in February 2017 and include the impact on the Council prudential indicators. Full Council is required to annually approve the utilisation of capital receipts to support the Transformation Programme.

3.43 The establishment and publication of the Strategy will allow the Council to fund from capital receipts and preserve revenue resources. The Government guidelines state that it is for individual Councils to decide whether or not a project qualifies for the flexibility.

4.0 FINANCIAL IMPLICATIONS

4.1 The financial implications are detailed in the report. The projected Budget Gap for the period 2017/21 has previously been reported as £132 million with £45 million relating to 2017/18.

4.2 The savings proposals detailed in the report total £135 million if they are all accepted. The issue being the timing as the Budget Gap is front (and rear) loaded so will require the use of Balances and Reserves to produce a balanced Budget for 2017/18.

5.0 LEGAL IMPLICATIONS

5.1 The Council is required to agree a Budget for 2017/18 by 10 March 2017. As part of agreeing the Budget the Chief Financial Officer is required under Section 25 of the Local Government Act 2003 to produce a report on the robustness of the estimates made for the Council Budget.

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 Investment into IT continues in accord with the development and implementation of the Digital Strategy. In respect of assets the Council continues to review its estate, working with partners over the One Public Estate, in order to maximise both investment and rental income and the generation of capital receipts from the release of surplus assets. The 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 2017/21 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 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. This report sets out a planned approach to the funding deficit and the risks that arise are from the considerable reductions in expenditure required. To mitigate the risks associated with the delivery of the transformation required this will be overseen by the Transformation Board. Funding for implementing the change exists from the Transformation Fund, reserves and capital receipts.

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

7.4 Over the period of the MTFs there are years where there is a projected funding gap which will be met from the use of balances. Whilst this approach can be adopted it does present a risk in that this action is only a temporary solution. This can be mitigated by the earlier delivery of the proposals emanating from the Transformation Programme.

7.5 At this stage a number of the options in this report are subject to engagement / consultation with residents and other stakeholders. The results of these consultations will be assessed by Cabinet as part of Budget decisions in February 2017.

8.0 ENGAGEMENT/CONSULTATION

8.1 Subject to Cabinet agreement, the Council will commence appropriate consultation on the proposals where required. These include those relating to car parking, leisure and cultural services and garden waste collection. This consultation will include working with people who use services, residents and stakeholders and a series of Overview & Scrutiny Committee Workshops. Proposals emerging through the Transformation Programme are likely to require extensive consultation and will be delivered, as appropriate, in the new year.

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

9.0 EQUALITIES IMPLICATIONS

9.1 It is recognised that some of these proposals could have implications and these will be considered through the consultation process and be finalised for when the decisions are to be taken by Cabinet in February 2017.

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SUBJECT HISTORY

Council Meeting	Date
Council – Wirral Plan	13 July 2015
Cabinet – Revenue Budget and Council Tax Levels 2016/17	22 February 2016
Council – Revenue Budget and Council Tax Levels 2016/17	3 March 2016