



COUNCILLOR PHIL DAVIES

CABINET
20 FEBRUARY 2017
REVENUE BUDGET AND
COUNCIL TAX LEVELS 2017/18

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.

“We have committed to 20 Pledges in our Wirral Plan and, despite the continued reductions in our budget, we are determined we will deliver on what we promised.”

REPORT SUMMARY

The report provides an update on the Medium Term Financial Strategy and Council Budget 2017/18 reported to Cabinet on 8 December 2016. It sets out the background and the key elements contributing to the preparation of the Budget for 2017/18.

The Council in the period 2018/19-2020/21 faces continued financial constraints. 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 describes how the Council will seek to establish a sustainable financial position through the development of a number of financial proposals in 2017/18. These form the basis of plans for closing the funding gap over the Medium Term Financial Strategy timeframe. This report should therefore be read in conjunction with Medium Term Financial Strategy which sets out indicative financial proposals for 2018/19-2020/21.

Cabinet has to recommend a 2017/18 Budget proposal to Council on 6 March 2017. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2017. This is in order to formally set the Revenue Budget and Council Tax for the 2017/18 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2017/18 by 10 March 2017.

This report has been prepared based upon the information contained in the Provisional Local Government Finance Settlement that was issued by the Government on 15 December 2016. The Final Settlement is expected in the week commencing 20 February 2017. Given the timing of this release any changes would have to be effected through General Fund Balances.

The Liverpool City Region is one of the pilots for the 100% Business Rates Retention Scheme. The sources of funding from 2017/18 will change with the agreement being that involvement in the scheme comes with 'no financial detriment'. The Memorandum of Understanding for this arrangement is presently being finalised and will be announced as part of the Final Settlement.

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

RECOMMENDATIONS

- 1 Cabinet recommends to Budget Council a Budget proposal for 2017/18 based upon:-
 - a) The Proposals for 2017/18 as set out at Appendix 1.
 - b) The Growth for 2017/18 as set out in sections 3.29 to 3.35 of this report.
 - c) The fees and charges, as in Appendix 2, 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 2017.
 - 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 as set out in Annex 1.
 - d) The level of General Fund Balances being recommended, as set out in Appendix 3, 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 use of General Fund Balances, if required, to fund the financial consequences of the finalisation of the Local Government Finance Settlement.
- f) The release of reserves, as set out in Appendix 4, to General Fund Balances to support the Revenue Budget.
- 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.
- h) Endorsement of Wirral being part of the Liverpool City Region 100% Business Rates Retention Pilot Scheme as set out in the Memorandum of Understanding at Appendix 7.

2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2017/18 and that :-

- a) For Wirral Council Services the Council Tax be increased by 4.99% for 2017/18 which includes the Adult Social Care Precept of 3%.
- 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 6 March 2017. 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. Cabinet could consider alternative budget proposals or chose to implement on different timescale. This could present a risk to our ability to set a balanced budget for 2017/18 and increase the financial risks faced through the slippage of proposals.

3.0 BACKGROUND INFORMATION

THE WIRRAL PLAN

- 3.1 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. It 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 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 committed to playing a lead role in achieving 8 of the 20 pledges.
- 3.3 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.

FINANCIAL YEAR 2016/17

- 3.4 The financial position in 2016/17 provides a guide for the development of the Budget for 2017/18. The latest Revenue Monitoring report details the position at Quarter 3 (to 31 December 2016) and is on this agenda.
- 3.5 The latest projections are for a £0.4 million underspend 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 areas this highlights the challenges that can be expected in the new financial year.
- 3.6 In considering the reported position Cabinet are reminded that the Quarter 1 (June 2016) Monitoring Report identified pressures and the decision was made to allocate £11.1 million of the 2016/17 contingency. This comprised £3.9 million to Adult Social Services, £5 million to Children's Services, £0.5 million for Transformation and Resources and £1.7 million in respect of the Remodelling saving. A further £0.3 million was allocated to Children's Services for increased residential care fees. Council agreed an increase to the budget of £1.6 million to cover increases in social care costs due to the living wage and the reversal of a saving option for passport for life.
- 3.7 The issues highlighted throughout 2016/17 are important when considering the deliverability of the Budget for 2017/18 which includes further planned savings and growth. 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.

THE BUDGET STRATEGY 2017/18-2020/21

- 3.8 The Council faces a funding shortfall over the period. With the ending of the Revenue Support Grant and the acceptance of the four year offer this has led to the adoption of a planned and proactive approach to the challenges. A number of difficult decisions will need to be made to successfully deliver the Wirral Plan whilst meeting statutory responsibilities.

- 3.9 The intention is that this will be done through The Wirral Delivery Plan and Medium Term Financial Strategy 2017/18- 2020/21 with the development of indicative financial proposals for these years being progressed in future update reports. The agreement of the Government four year Settlement supports this longer term planning. Members are asked therefore to agree through this report to the Budget 2017/18 and to indicative financial proposals for 2018/19-2020/21 through the Medium Term Financial Strategy report.
- 3.10 Table 1 contains the budget projections over the period, as presented in December 2016, which show that over the four year period the budget gap can be closed. However this is anticipated to happen in the final two years of the planning period. The use of balances will be required in 2017/18 and 2018/19.

Table 1: Budget Projections 2017/18-2020/21 at December 2016

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Original Projected Spend	286	304	322	340
Original Projected Income	241	234	227	208
Cumulative Budget Gap	45	70	95	132
Annual Budget Gap	45	25	25	37
Total Proposals	34	30	33	38
Revised Gap	11	-5	-8	-1
Use of Balances	11	6	-	-

CABINET PROPOSALS 2017/18

- 3.11 Cabinet on December 2016 considered £33.9 million of budget reductions and proposals for 2017/18 and £101.3 million of indicative proposals for the years 2018/19-2020/21, further details on which are contained in the MTFS report. The proposals and use of balances aim to secure financial stability through the setting of balanced budgets each year. The projections include the assumption that Council Tax levels would increase, including the Adult Social Care Precept, but this will be dependent upon the terms of the Local Government Finance Settlement and Members decisions.
- 3.12 Officers were authorised by Cabinet to undertake any required consultation and engagement with residents, partners and other stakeholders as required. The views of the Overview and Scrutiny Workshops are reported on this agenda.
- 3.13 The schedule of all the revised savings proposals for 2017/18 are detailed in Appendix 1 and, as referred to in the December 2016 report, are set out on the basis of the three themes being:- Delivering Differently, Income and Resources and Service Changes.

THEME : DELIVERING DIFFERENTLY

- 3.14 The Wirral Plan sets out how public services will work together to deliver our ambitions for Wirral. In recent years the range of opportunities to either improve service delivery directly, or to reduce costs/increase income have increased. These forms of public service reform include a range of potential areas including ensuring the Council can derive the maximum benefit from any devolution of powers; and exploring areas of commercialisation, integration and collaboration with partners to share best practice and increase efficiency. The Council will continue to explore which of these opportunities could work and the Transformation Programme is a fundamental redesign of what services are provided and importantly how the services are provided. It will cover almost all of the directly-provided services to re-focus their delivery on the outcomes agreed in the Wirral Plan. This Programme is critical to the achievement of a balanced budget across the MTF period. It is an ongoing programme to both transform our services and achieve significant savings. While not sufficient to cover the total funding gap Transformation forms a key part of the budget strategy for 2017/18 and beyond.

THEME : INCOME AND RESOURCE MANAGEMENT

- 3.15 The Council must do all it can to build its way to a sound financial position. 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. Maximising our income to offset the requirement for cuts is important to our Strategy as every £ generated is a £ that can be invested in securing services people require. This will not be achieved through 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. 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.

THEME : SERVICE CHANGES

- 3.16 The scale of the financial reductions makes it impossible to avoid changing or reducing some services. The Budget Strategy mitigates to a large degree the impact of Service Changes through the prioritisation of the first two themes which have few service specific impacts. The Council will continue to work with partners to ensure reductions are managed in a strategic, planned way to ensure we retain a focus on the overall vision for the borough.

Table 2: Summary Of Proposed Savings at December 2016

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

PROGRESS SINCE THE PROJECTIONS AT 8 DECEMBER 2016

- 3.17 This Budget 2017/18 and Medium Term Financial Strategy Report presented to Cabinet on 8 December 2016 included the proposed savings. This report provides an update incorporating the impact of subsequent changes including the Provisional Local Government Finance Settlement. Any impact of the Final Settlement when announced will be reflected in the use of General Fund Balances for 2017/18.
- 3.18 The Provisional Settlement the Government set out projected funding levels up to 2019/20 and confirmed the Revenue Support Grant would be reduced and phased out by 2020 preceding the proposed 100% retention of Business Rates post-2020. The announcement confirmed the reductions announced as part of the 2016/17 Settlement being based on the Council submitting an Efficiency Plan and accepting the four year Offer.
- 3.19 As referred to in the December 2016 report, information relating to 2017/18 was awaited and some still remains outstanding which is also the case for future years. This report focuses on the Budget for 2017/18.
- 3.20 The changes to the financial projections and budget proposals considered by Cabinet on 8 December 2016 are as follows:-

Table 3 : Updated Budget Proposals and Budget Gap

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Provisional Settlement				
Revision to New Homes Bonus	-0.7	+0.7	-0.2	-0.1
Adult Social Care Precept profile to 3%, 3%, 0% rather than 2% per year	+1.3	+1.4	-2.9	-
New Adult Social Care Grant	+1.8	-	-	-
Above passed to Adult Social Care	-3.1	-1.4	-2.9	-
Revision to Education Services Grant	-0.9	-0.4	+0.3	+0.3

PROJECTIONS	17/18 £m	18/19 £m	19/20 £m	20/21 £m
Amendment to proposals				
Business Rates growth is higher than the projected £0.9m per Government return on 31 January 2017.	+1.2	+3.5	-	-
Fees and charges at £0.6m against £1m target for 2017/18	-0.4	-	-	-
Car parking re-profiled over two years eg Country Parks	-0.2	+0.2	-	-
LCR Specialist Transport. £0.5m included for 2017/18 but further work required	-0.5	-		
Discretionary Rate Relief. £150k of £300k achieved (Rateable Value changes & schools contribution)	-0.2	-	-	-
Waste Levy a 0% increase 2017/18 which leads to 11% in 2018/19	+0.6	-0.3	-	-
Pensions Revaluation wef April 2017 refined profile with payment in April 2017	+2.2	-0.6	-0.5	+0.1
Community Fund – one-off funding for 2017/18 agreed at meeting with Magenta	+0.8	-0.8		
Projected Change + is closing the gap / - increasing the gap This reduces the Use of Balances in 2017/18 from £11.1m to £9.2m.	+1.8	+3.7	-0.4	+0.4

- 3.21 The Provisional Local Government Finance Settlement confirmed previously announced reductions in the Revenue Support Grant. Other changes included the New Adult Social Care grant for 2017/18 only and a revision to the profile for the Adult Social Care Precept. Both must be used to support Adult Social Care.
- 3.22 The plan to transfer £800 million from New Home Bonus to the Improved Better Care Fund was announced in the Autumn Statement 2015. The changes in December 2016 divert a further £241 million to the new Adult Social Care Grant to fund social care services in areas identified as being part of higher relative need. As a consequence of this further change Wirral loses a further £0.7 million (above the projected £0.2 million) in 2017/18 rather than in 2018/19. The Education Services Grant announcement saw a further reduction in funding received by the Council of £0.9 million as part of the continued move by Government to implement reduction in the financing of Council support to schools.

3.23 Further work on the development of the proposals has resulted in revisions to the indicative figures announced in December of which the significant items are:-

- a) The impact of increased businesses identified since March 2016 together with inflationary increases and the revaluation has been assessed at generating an additional £1.2 million of Business Rates in 2017/18. This has also led to the projections for 2018/19 being revised upwards by £3.5 million following the finalisation of the return made to the Government at the end of January.
- b) The anticipated amounts from a review of the Discretionary Business Rates Relief have been revised from £0.3 million to £0.15 million.
- c) The Liverpool City Region Specialist Transport efficiencies are at an early stage and will be subject to further work before a proposal is submitted.
- d) A further year's support of £0.75 million, towards housing related schemes, from the Community Fund was agreed with Magenta Housing in early February 2017.
- e) The finalisation of the funding arrangements following the triennial revaluation of the Merseyside Pension Fund resulted in a reduction of £2.2 million in projected costs for 2017/18 and the phasing of an increase in contribution rates from April 2018.

3.24 The updated position assumes that all the savings included in the December 2016 Cabinet report are agreed and implemented. The overall change is a reduction of £1.8 million in the amount of General Fund balances that will be required to support the 2017/18 Budget to £9.2 million.

Table 4: Summary Of Proposed Savings at 8 February 2017

THEME	17/18 £m	18/19 £m	19/20 £m	20/21 £m	TOTAL £m
Delivering Differently	5.4	8.2	9.7	19.9	43.2
Income and Resources	29.7	25.5	22.6	17.9	95.7
Service Changes	1.6	+0.6	-	-	1.0
TOTAL PROPOSALS	36.7	33.1	32.3	37.8	139.9

3.25 The 2017/18 Budget process included a review of the issues identified from the 2016/17 monitoring. The financial pressures faced in Care Services affect all local authorities providing care services with the Adult Social Care shortfall highlighted by the Local Government Association as being in the order of £2.6 billion.

Adult Social Care – There is a persistent growth in demand and the Council is working with the Health sector to find sustainable solutions. The Adult Social Care Precept and Improved Better Care Funding and Adult Social Care Grant (for 2017/18) and the Transformation Programme Integration with Health project assist.

Children's Social Care – The increase in the number of looked after children continues to lead to financial pressures on the budget for this service. The response to the Ofsted review that was published in September 2016 includes an Improvement Plan and the funding for the transformation of the service is being funded through the use of the Government's Flexibilities over the use of Capital Receipts.

To ensure stability in these areas growth has been built into the 2017/18 budget in these service areas plus the Revenue Budget Contingency.

- 3.26 The degree and scale of change to deliver savings over the next four years will be considerable especially at the same time as delivering services. A high proportion of savings over recent years have been delivered. It is currently anticipated that the majority of those proposed for 2017/18 will be delivered. Their development has been through a number of processes. This has included examination and scrutiny by officers and Members and an assessment of the likelihood of deliverability. The Section 151 Officer has also reviewed the MTFS assumptions and the level of reserves required. The process sought to ensure the Budget is deliverable taking account of potential risks that can be quantified.
- 3.27 In addition to this assessment of 2017/18 proposals specific assurances are obtained on the deliverability of savings from the relevant officers. Effective budget management and planning are the responsibility of the whole organisation which goes beyond the Section 151 Officer.
- 3.28 Progress on delivery will be monitored through the Financial Monitoring arrangements already in place which have been strengthened in respect of accountability with proposals assigned to Strategic Leadership Team members to ensure detailed delivery plans are in place and implemented.

GROWTH ITEMS

- 3.29 The Budget Projections for 2017/18 included an assessment of growth of £33.9 million arising from investment in services due to demographic changes, inflationary rises and financial pressures that have occurred and been reported as part of the Revenue Monitoring reports. All potential growth areas were reviewed by internal challenge as to their validity and justification. This includes items of a corporate nature held as a central liability such as future pay awards.
- 3.30 The Budget 2017/18 includes £13.5 million for the financial pressures that have occurred in 2015/16 and reoccurred in 2016/17. Reported through the regular Revenue Monitoring updates these have been in the main in the areas of Adult and Children's Social Care where increased demands plus slippage of savings have led to overspends. In 2016/17 this was covered by the allocation of the Revenue Budget Contingency, again funded from balances.

- 3.31 The £7.5 million of growth reflects in the inclusion in service budgets of amounts for children's social care and the non-achievement of savings in other areas. This investment provides a planned and robust approach to the budgetary pressures that the Council continues to face in a number of specific areas. A further amount of £6 million has been included in the Revenue Budget Contingency for 2017/18. Further details of which are provided later in this report.
- 3.32 Inflation and Pay Awards – A 1% annual pay award (rather than the original 2%) has been included with contractual inflation of £3.3 million assumed for 2017/18. The provision for general price increases was assumed in the projections but is removed under the proposals so inflationary pressures will be accommodated within existing budgets.
- 3.33 Investment in services to meet demand pressures - A number of assumptions have been made in growth to cover demand led pressure within Adult Social Care and Children's Care. The former mitigated by the increased funding from the Adult Social Care Grant and the phasing of the Adult Social Care Precept. Increases in the National Living Wage will impact upon a number of organisations that provide care and who are contracted to carry out functions on behalf of the Council. An amount has been included in projections to fund the increase in costs expected as a result of announced rises from April 2017.
- 3.34 Within the proposals presented in December 2016 under Income and Resources Management there are proposals which have removed projected growth assumptions including price increases, capital financing, unallocated growth and a reduction in the pay rise.
- 3.35 Similarly the revisions presented in Table 3 have reduced the growth requirements. These changes include levies, the reduction in Education Services Grant and the deferring of the ending of support from the Community Fund of a number of Council housing related services.

Table 5: Summary of the Growth

	2017/18
By Change	£m
Revenue Budget Contingency 2016/17 (in service budgets)	7.5
Revenue Budget Contingency 2017/18 (additional amount)	6.0
Inflation and pay awards	8.4
Investment in Services for increased demands	4.6
Other (levy, grant changes)	5.1
Unallocated Growth (legislative)	2.3
Original Growth	33.9
Proposals to reduce growth	-8.7
Revised Growth	25.2

LEVIES

- 3.36 There is a statutory requirement to agree the levies for 2017/18 before 14 February 2017 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.
- 3.37 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 2 February 2017. 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 2017/18 reduces by £2.5 million (10%) which is in line with the projected amount included in forecasts made in December 2016.
- 3.38 The Merseyside Recycling & Waste Authority met on 3 February 2017 and agreed the Waste Levy for 2017/18. This required the use of balances in order to mitigate a 0% increase in the levy for the coming year. It is anticipated that the increase for 2018/19 will be in the order of 11.5%. The finalisation of the amount for 2017/18 is factored in to a revision to the financial position and has resulted in an improvement of £0.6 million.
- 3.39 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 2017/18.

PENSIONS

- 3.40 The Merseyside Pension Fund was subject to the triennial valuation in 2016. The actuarial assessment determines both the Contribution Rates for Employers and the Deficit Recovery Payments for the financial years 2017/18 to 2019/20. The next valuation is due in 2019 and will impact upon the payments for 2020/21 to 2022/23.
- 3.41 Contribution rates have been set at 13.6% for 2017/18 (no increase on the rate for 2016/17), 14.6% for 2018/19 and 15.6% for 2019/20. The amount paid will be based upon payroll costs and numbers employed so will vary with changes in the workforce. The Deficit Recovery payments are a separate element subject to annual change 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. As part of the revaluation a funding strategy for the period to 2020 has been agreed with the Fund. The annual sum in respect of the recovery of the historic pension deficit is to be paid for the three years in April 2017 which secures a discount on the annual sum due for the three year period 2017/18 to 2019/20.

Table 6: Pension Costs

Description	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Budget Assumption	12.0	9.8	9.4	1.5
Revised Deficit Recovery	9.8	9.4	8.9	Tbc
Deficit Recovery 2017/18-2019/20 Annual Change	-2.2	-0.4	-0.5	Tbc
Revised Contributions	0	1.0	1.0	Tbc
Impact of 2019 Revaluation	0	0	0	1.4
Total Change in Costs	-2.2	0.6	0.5	-0.1

- 3.42 The budget projections for 2017/18 originally included an amount of £2.5 million, which has now been revised to £0.3 million, a reduction following the recent agreement of the funding strategy. Amounts have been included in future years to cover the increase in contribution rates and changes in the deficit recovery amounts.

FEES AND CHARGES

- 3.43 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.
- 3.44 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.
- 3.45 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).
- 3.46 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.

- 3.47 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.
- 3.48 Directorates have examined their fees and charges 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 2017/18 Budget. Appendix 3 provides detail.
- 3.49 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 2017.
- 3.50 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.

LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)

- 3.51 The Provisional LGFS was announced on 15 December 2016 and the consultation closed on 13 January 2017. The Final Settlement is due to be announced in late February 2017. It is currently anticipated that this will not significantly change so will not alter the draft Budget2017/18 and any variations will be reflected in the use of General Fund Balances for the year.
- 3.52 The Settlement announced no new grant funding in total. It sees Wirral's main Revenue Support Grant reducing by £14 million in 2017/18. In 2016/17 Wirral received £51 million and for 2017/18 the announced amount is £37 million. The Government in the 2016/17 Settlement made a four year funding offer to all local authorities. This covered: Revenue Support Grant, Business Rate Tariff and Top-up payments, Rural Support Delivery Grant and Transition Grant. Wirral does not receive the last two grants. The 2017/18 Settlement announced that 97% of Councils had accepted the offer. As a consequence of accepting the offer Wirral's grant amounts will be the same as those contained in the December 2016 budget projections.
- 3.53 The Settlement announced the 100% Business Rate Retention (BRR) pilots for 2017/18 including the Liverpool City Region. Wirral as part of the pilot will not receive a direct payment of RSG in 2017/18. Funding to the same amount of RSG will come from the direct receipt to the Council of 99% of all business rates raised (1% is due to Merseyside Fire and Rescue Service) and Top-up grant that the Council receives. The pilot is being agreed with Government on the basis that the Council suffers no detriment to its funding when compared to the funding, announced in the LGFS that would have been received without the pilot being operational. The Memorandum of Understanding is at Appendix 7 and will be confirmed in the final settlement.

- 3.54 The Government announced that it will allow the Adult Social Care Precept to increase from 2% to 3% on condition the total increase to 2019/20 does not exceed 6% over the three years. The total allowable Precept rise over the period is unchanged but the earlier implementation is a cash benefit. The Precept element of the Council Tax has to be separately identified on the Council Tax bill and its purpose is to help meet the pressures for adult care services. The details of this have to be reported by the S151 Officer to Government demonstrating that the additional financial resources from Council Tax have been allocated to Adult Social Care budgets in the year that it is levied. The Referendum threshold for general Council Tax increases remains at 2%.
- 3.55 The Government confirmed previously announced plans to transfer £800 million to the Improved Better Care Fund. The changes announced divert a further £241 million to the new Adult Social Care Grant for 2017/18 to fund social care services in areas identified as being of higher relative need. As part of the Settlement the Council lost a further £0.7 million (above the projected £0.2 million) of Bonus in 2017/18 rather than 2018/19.
- 3.56 The Council is to receive £1.8 million in new Adult Social Care Grant in 2017/18 (this can be compared to the loss of New Homes Bonus of £0.9 million in 2017/18). This is additional funding but must be allocated to Adult Social Care. Additional funding from the Improved Better Care Fund was announced being made available from the £800 million transferring from New Homes Bonus. It has also been allocated to areas deemed of higher need with lower ability to raise resources through the Precept. The Council is due to receive the £1.4 million (2017/18) rising to £8.3 million (2018/19) and £14.3 million (2019/20) of Improved Better Care Fund. This was assumed in the Budget report on 8 December 2016.
- 3.57 Since April 2015 a Better Care Fund (BCF) pooled budget arrangement has been in place with Wirral Clinical Commissioning Group (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 CCG and Council funding with the Council funding including Disabled Facilities Grant, Social Care Capital Grant and the NHS Social Care Transfer Grant. The allocations for 2017/18 are awaited. Government has announced the allocation of the Improved Better Care Fund that will be paid direct to the Council.
- 3.58 The Government confirmed Public Health Grant for 2017/18 at £29.8 million which is as expected. The reduced Education Services Grant announced was £0.9 million higher than the projected loss.

COUNCIL TAX

- 3.59 Cabinet on 8 December 2016 agreed the Council Tax Base for use in 2017/18. 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 7: Wirral Council Tax Band D calculation 2017/18

Band	Properties 2016	Changes due to C Tax Support, discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	60,062	-25,687.4	34,374.6	6/9	22,916.4
B	32,275	-7,543.0	24,732.0	7/9	19,236.0
C	27,124	-4,209.6	22,914.4	8/9	20,368.4
D	13,290	-1,492.4	11,797.6	9/9	11,797.6
E	8,121	-707.1	7,413.9	11/9	9,061.4
F	4,254	-321.1	3,932.9	13/9	5,680.9
G	3,099	-207.9	2,891.1	15/9	4,818.5
H	262	-33.1	228.9	18/9	457.8
Band A Disabled (1/9 th of Band A)		71.5	71.5	5/9	39.7
Total	148,487	40,130.1	108,356.9		94,376.7
Collection Rate					x 96.75%
Adjusted Council Tax-Base					91,309.5

- 3.60 The increase in the Council Tax-Base from 2016/17 to 2017/18 will result in increased Council Tax income of approximately £1.3 million in 2017/18. Wirral's share of the precept after the non-collection allowance is applied will be £1.1 million. This amount has been reflected in the 2017/18 Budget.
- 3.61 Cabinet / Council in December 2016 announced that the assumption was that Council Tax levels would be increased 1.99% and the 2% Adult Social Care Precept subject to the Settlement. The Government announced that the Adult Social Care Precept will be allowed to increase by 3% in 2017/18 and in 2018/19 on condition that the total increase to 2019/20 does not exceed 6% over the three years. The Referendum threshold for general Council Tax increases remains at 2%. The calculation of the Referendum 'trigger' amount is a comparison between overall Band D levels for 2016/17 and 2017/18 (includes levies).
- 3.62 The decision on the level of Council Tax is made by Council in March. The current proposals containing for 2017/18 assume that general Council Tax will increase by 1.99% and the Adult Social Care Precept by 3%.

Table 8: Council Tax Options 2017/18

Options	£m
Tax Rise of 1.99% for Council Services	2.5
Tax Rise of 3% for Adult Social Care	3.6
Tax Rise of 4.99% being below the Referendum Level	6.1

BUSINESS RATES

- 3.63 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.
- 3.64 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, will cease 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 in 2017/18 plus a Rates Top Up grant to ensure that there is no detriment to Wirral's funding resulting from the pilot scheme.
- 3.65 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.

- 3.66 Business Rates are managed through the Collection Fund with any surplus / deficit in 2016/17 being allocated to Central Government 50%, to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%. From 2017/18 Wirral will retain 99% with Merseyside Fire and Rescue Service receiving 1%. A declaration of an estimated surplus or deficit for the 2016/17 financial year together with a forecast for 2017/18 had to be submitted to the Government by 31 January 2017. The forecast Business Rates income for 2017/18 shows that the receipts to the Council will increase by £2.1 million from the 2016/17 levels and is higher than projected sum is reflected in Table 2. For 2018/19 additional income of £3.5 million has been included in the Budget projections.
- 3.67 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 2017/18 is awaited from Government.
- 3.68 There remain uncertainties around the operation of Business Rates. Confirmation of the operation and funding of the Business Rates Pilot across the Liverpool City Region is linked to the Final Settlement and will be based upon the Memorandum of Understanding that was issued on 9 February 2017. The complexity and volatility have been highlighted previously and are compounded with the Revaluation in 2017. It is recommended that a £5.4 million earmarked reserve is established to cover the financial impact of fluctuations in the yield from Business Rates over the initial years of the pilot. The forecast income and the creation of a new earmarked reserve have been reflected in the Budget for 2017/18.

LEVEL OF GENERAL FUND BALANCES

- 3.69 The level of General Fund Balances and reserves are key components of the Councils 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.
- 3.70 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. Despite the certainty given by the 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 factors. This 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 (the professional body which issues the guidance in this area).

- 3.71 Appendix 3 has the calculation updated and adapted for 2017/18 with the main change being a reduction in the risk associated with social care budgets. This reflects the mitigation provided by the additional funding due in 2017/18 from the increase in the Adult Social Care Precept, the Adult Social Care Grant and Improved Better Care Funding. In addition, the integration with Health will commence in 2017/18 reducing the risk factor further as this approach to the provision of services is viewed as an improved way to manage demand. The risk of inflation has been revised upwards for supplies and service costs. A risk amount to cover the deliverability of the savings, in line with the practice for 2016/17, has been included in the Revenue Budget Contingency for 2017/18.

Table 9: Summary of the Assessed Level of General Fund Balances

	2016/17	2017/18
	£m	£m
Assessed at February 2017	11.5	10.0

- 3.72 The latest Revenue Monitoring Report Quarter 3 (December 2016) showed the projected balance at 31 March 2017 to be £11.8 million. This is based on a projected underspend of £0.4 million. The projected amount is £1.8 million above the target and will be used to support the Budget in future years. Any further underspending in 2016/17 and reduced call on balances will all be allocated in the same way. This will be detailed in the financial outturn for the year.

Table 10: Summary of the Projected General Fund Balances 2016/17

Details	£m
Predicted Balance 31 March 2017 when setting Budget 2016/17	11.5
Add : Increase following closure of 2015/16 Accounts	+1.3
Add : Increase Returned New Homes Bonus	+0.2
Less : Transfer to General Fund Budgets re:care fees and passport for life	-1.6
Add : Potential underspend at December 2016	+0.4
Projected balance 31 March 2017	11.8

REVIEW OF RESERVES

- 3.73 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 2017/18 Budget. The review recommends the release of £9.2 million as detailed in Appendix 4 as being no longer required and will be transferred to General Fund balances to support the budget in 2017/18 and 2018/19.

3.74 **Table 11: Categories of Reserves**

Category and Description
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates, etc.
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 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

- 3.75 It is proposed that the Revenue Budget Contingency established in 2016/17 will continue to be included in the 2017/18 budget. Funded by General Fund Balances it will be supplemented by the distribution of the Collection Fund Surplus and the release of Reserves. This source of funding within the Revenue Budget is to mitigate a number of financial risks which while not all definitive could occur in 2017/18 and to bridge the implementation of transformational savings in Social Care in future years.
- 3.76 The Revenue Budget Contingency for 2017/18 is to provide cover risks that has previously been identified in this report.

Table 12: Risk / Pressures in the Budget 2017/18

Summary of Risks / Pressures 2017/18	£m
Adult Social Services The relates to the overspend and increased costs identified in 2016/17 for which funding is reflected in the Contingency	5.4
Children's Services Looked After Children The forecast overspend in 2016/17 within Children's Social Work and Looked After children Commissioned Services is reflected in this element of the contingency.	5.0
Delivery of 2017/18 Proposals The delivery within Budget and within year the proposed savings	2.0
Total risks / pressures	12.4

- 3.77 Adult Social Services - In 2016/17 the service has faced increasing numbers of clients and increase care fees. £5.4 million was included in the budget for the service to cover these costs from the Contingency and General Fund balances in 2016/17. With the transformation of services and integration with health partners to deliver future efficiencies together with the increasing sums from the Improved Better Care Fund to bridge the budget before additional funding resources are received from 2018/19 it is proposed to repeat the inclusion in the contingency of this amount in 2017/18.

Adult Social Services latest monitoring at December 2016 indicates that the services will overspend in the current year by £4.5 million. This is over and above the £5.4 million. This overspend is not being incorporated into the contingency for 2017/18 as the additional funding due from the new Adult Social Care Grant and the additional increase in the Adult Social Care Precept will be allocated to fund these pressures.

- 3.78 Children's Social Care – The forecast overspend for 2016/17 for Children's Services is £4.6 million. The pressures for the current year are attributable to the increased Social work service costs due to agency staff and an increase in the number of packages of care for Looked after Children. This is over and above the £5 million allocation of the 2016/17 Revenue Budget Contingency to the services budget in 2017/18. It is recommended that as part of the Contingency for 2017/18 that £5 million is included this area.

The implementation of the recommendations from the Ofsted inspection in 2016 is anticipated to take time to transform Children's Services and will not be completed until at least 2019. It is due to this that it is prudent at this stage to assume that the focus will be on implementation and that the reduction in the number of Looked after Children is unlikely to change significantly before April 2017. Therefore it is proposed to include in the contingency a sum to reflect the potential that numbers will not change early in 2017 but that the service transformation will begin to be realised during the next financial year.

- 3.79 Savings Contingency – An assessment of the financial proposals for 2017/18 has indicated that the majority will be achieved. However a number of proposals involve income generation or further staff consultations which bring risks so a sum has been included for the potential that not all savings will be implemented in full in 2017/18.

- 3.80 The use of this contingency will be monitored during 2017/18 and 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 required transformation whilst avoiding risk associated with the high level of savings the Council is required to make.

Table 13: Revenue Budget Contingency Elements and Resourcing

Revenue Contingency 2017/18 – Elements	£m
Revenue Budget 2016/17 – Continuation Comprising of £5.4 million for Adult Social Services and £0.6 million from the unallocated contingency from 2016/17	6.0
Revenue Budget 2017/18- New Amount Comprising for £5 million for Children’s Social Care and £1.4 million to take the Savings Contingency to a total of £2 million	6.4
Total	12.4

RESULTING PROPOSED REVENE BUDGT 2017/18

3.81 The proposed budget for 2017/18 reflecting all the details in this report and the appendices is set below. Further details are provided in Appendix 5:

Table 14: Budget Summary 2017/18

	Budget 2016/17 £m	Draft Budget 2017/18 £m	Budget 2017/18 (Business Rates Pilot) £m
Forecast Income			
Revenue Support Grant	50.7	37.0	-
Top Up	41.6	50.4	50.4
New Homes Bonus	3.2	2.3	2.3
Business Rates	34.8	30.9	-
Business Rates Pilot Scheme	-	-	67.9
Business Rates S31 Grants	2.1	6.5	6.5
Improved Better Care Fund	-	1.4	1.4
Council Tax	120.3	127.4	127.4
Contribution to Business Rates Reserve	-	5.4	5.4
General Fund Balances	11.8	15.6	15.6
Total Forecast Income	264.5	266.2	266.2
Forecast Service Expenditure			
People	145.9	155.2	155.2
Environment	63.3	59.6	59.6
Business	43.3	39.0	39.0
Revenue Budget Contingency	12.0	12.4	12.4
Total Forecast Expenditure	264.5	266.2	266.2

Impact on General Fund Balances

- 3.82 The Budget includes the use of £9.2 million of General Fund Balances to support the Revenue Budget. A further sum of £6.4 million has been allocated to the Revenue Budget Contingency. This on-going support to the budget reflects the longer time-frame to implement the transformational changes required to move the Council on to a new financially self-supporting basis as Government support for general services reduces and the Council becomes reliant upon only local sources of income. The Balances are being supplemented from the Collection Fund and Earmarked Reserves as set out in the table below. The Collection Fund 2016/17 report agreed to the distribution of the 2016/17 surplus with the Council receiving a “one-off” distribution of £3.9 million and £0.7 million from Council Tax and Business Rates collection respectively. The release of Earmarked Reserves is referred to in section 3.73 and Appendix4.

Table 15: Projected General Fund Balances

Details	2017/18 £m	2017/18 £m
General Budget Balances as at 1 April 2017		11.8
Add: Transfer from the Collection Fund		
Council Tax	+3.9	
Business Rates	+0.7	+4.6
Add: Transfer from Earmarked Reserves:		
Insurance Fund	2.5	
Business Rates Reserve	4.7	
Housing Benefit Reserve	1.0	
Support to Services	1.0	+9.2
Less: Support to Revenue Budget	-9.2	
Support to Revenue budget Contingency	-6.4	-15.8
General Fund Balances 31 March 2018		10.0
Target General Fund Balances 31 March 2018		10.0

- 3.83 The planned use of Balances will result in Balances of £10 million at the end of the financial year which is in line with the recommended locally determined level. The release of Earmarked Reserves significantly reduces the level held and is in line with the reduced financial risks due to the acceptance of the four year funding Settlement and the longer term financial planning approach and monitoring that is in place.
- 3.84 Over the MTFS period Balances will be used to smooth the implementation of the proposals detailed in this report. This will allow time to plan future savings effectively to ensure that they are deliverable and their impact of residents and service users is kept to a minimum.

- 3.85 Over the MTFFS period the Council intends to utilise both the Transformation Fund and capital resources through the flexible use of capital receipts to finance the transformation of a number of services.

CAPITAL AND INVESTMENTS

- 3.86 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. 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.
- 3.87 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.
- 3.88 The realisation, and use, of significant capital receipts during 2017/18 will enable the Programme to be funded from a combination of grants, capital receipts and borrowing. This reduces the need for external borrowing and achieves £2 million Capital Financing efficiency savings for 2017/18.
- 3.89 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 set out in the Medium Term Financial Strategy reported elsewhere on Cabinet agenda and if agreed by Council will provide further resources to supplement the Council's Transformation Reserve. The restrictions regarding using capital to fund general revenue spending remain.

ROBUSTNESS OF THE ESTIMATES

- 3.90 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.
- 3.91 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. It contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

SETTING THE COUNCIL TAX LEVELS

- 3.92 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 2017/18 is not excessive meaning that a Referendum is not necessary.
- 3.93 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 2017/18 with that for 2016/17 for the Council's basic amount of Council Tax. The Local Finance Settlement 2017/18 sets the Referendum 'trigger' at 4.99% for Adult Social Care authorities with 3% being for Adult Social Care.
- 3.94 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 2017/18.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Budget projections for 2017/18 as set out in Table 1 updated to reflect the changes since December 2016 and the continuation of the Revenue Budget Contingency show that a balanced, and deliverable, Budget can be set. This includes a 4.99% increase in Wirral Council Tax with 3% relating to the Adult Social Care Precept.

Table 16: Changes to Budget Proposals and Budget Gap

Projected updated Budget Gap	£m
Original Budget Gap	45
Less: Proposed Savings December 2016	-34
Budget Gap met by Use of Balances at December 2016	11
Less : Updated Budget Proposals	-2
Budget Gap met by Use of Balances at February 2017	9

- 4.2 Looking at future years the Budget Gap will be addressed through the development of the indicative proposals set out in the MTFs. These follow the budget themes developed and used to formulate budgets in 2016/17 and 2017/18 being Delivering Differently, Income and Resources and Services Changes. The plans subject to change and review and progress will be reported back to by a combination of additional income and savings / efficiencies.

- 4.3 The level of General Fund Balances is projected to be in the order of the £10 million minimum required for 2017/18.

5.0 LEGAL IMPLICATIONS

- 5.1 The Council is required to agree a Budget for 2017/18 by 10 March 2017. 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 2017/18 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. Further mitigation is provided through the publication and acceptance by the Government of the Council Efficiency Plan in 2016.

- 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 different ways of Delivering Services, a Transformation Programme has been developed. Funding for implementing the change exists in the Transformation Fund and Capital programme.
- 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 2017/18 preparation has included an assessment of the level of General Fund Balances.
- 7.6 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 6.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Following Cabinet on 8 December 2016 the required consultation and engagement with residents, partners and stakeholders where required has been undertaken. 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.

REPORT AUTHOR: Jenny Spick
Senior Manager : Finance
Telephone 0151 666 3582
Email jennyspick@wirral.gov.uk

APPENDICES

Appendix 1 Financial Proposals 2017/18
Appendix 2 Fees and Charges 2017/18
Appendix 3 Level of General Fund Balances
Appendix 4 Reserves
Appendix 5 Draft Budget 2017/18
Appendix 6 Chief Financial Officer Statement (Robustness of Estimates).
Appendix 7 Liverpool City Region Business Rates Retention Pilot Scheme (Memorandum of Understanding)

REFERENCE MATERIAL

Council Budget 2016/17 agreed by Council on 22 February 2016.
Autumn Statement issued by HM Treasury on 23 November 2016.
Provisional Local Government Finance Settlement 2017/18 issued by the Department for Communities and Local Government – 15 December 2016.
Section 25 Local Government Act 2003.
Wirral Efficiency Plan October 2016.

SUBJECT HISTORY

Council Meeting	Date
Council	3 March 2016
Cabinet	8 December 2016
Medium Term Financial Strategy and Budget 2017/18	
Budget Council Agenda and Procedure 6 March 2017	
Council Tax Base 2017/18	