**APPENDIX 1**

**BUDGET PROPOSALS 2017/18**

**SUMMARY**

| THEME | £m |
|---|---|
| Delivering Differently | 5.4 |
| Income and Resources | 29.7 |
| Service Changes | 1.6 |
| **TOTAL PROPOSALS** | **36.7** |

**DETAIL**

**The narrative includes an update since the Cabinet report on 8 December 2016.**

| DELIVERING DIFFERENTLY | 17/18 £m | NARRATIVE OF PROPOSAL |
|---|---|---|
| Leisure and Cultural Services | 0.80 | Increased income following capital investment plus changes to operations at Woodchurch |
| Access Wirral | 0.30 | Removal of vacant posts |
| Adult Social Care Integration | 2.90 | The NHS & Social Care integration transformation projects and including learning disabilities. Linked to increased income from the Precept, Improved Better Care Fund and Adult Social Care Grant |
| Children's Services Managing Demand | 1.40 | Funding from the Revenue Budget Contingency and the Transformation Programme. |
| **DELIVERING DIFFERENTLY** | **5.40** | |

| INCOME AND RESOURCES: REVISED ASSUMPTIONS | 17/18 £m | NARRATIVE OF PROPOSAL |
|---|---|---|
| Revised Pay Assumptions (now 1%) | 1.00 | Reductions in the sums originally identified based on updated assessments with no impact on services |
| Removed General Prices Inflation | 0.50 | |
| Removed Unallocated Growth | 2.30 | |
| Reduced Treasury Management costs | 2.00 | Commercial approach over the use of finance related opportunities with no impact on services |
| Re-profiled Pension payments | 2.20 | |
| Capitalised Transformation Team | 0.50 | |
| Community Fund (2017/18 only) | 0.75 | |
| **REVISED ASSUMPTIONS** | **9.25** | |

| INCOME AND RESOURCES: INCREASING INCOME | 17/18 £m | NARRATIVE OF PROPOSAL |
|---|---|---|
| Council Tax Increase | 2.46 | Tax increase of 1.99% |
| Adult Social Care Precept | 3.60 | Must be allocated to Adult Social Care. Profile now changed to 3% in 2017/18. |
| Housing Growth | 1.10 | Growth reflected in Council Tax Base |
| Improved Better Care Fund | 1.40 | Must be allocated to Adult Social Care |
| New Adult Social Care Grant (2017/18 only) | 1.80 | Must be allocated to Adult Social Care |
| Adult Social Care Integration | -2.90 | Increased income linked to the Delivering Differently transformation projects. |
| Business Rates | 2.10 | Projected growth which has increased |
| New Homes Bonus (phasing out) | -0.91 | Reduction in Bonus now revised |
| Litter and Dog fouling Fines | 0.20 | Including the fines income in the Budget |
| **INCREASING INCOME** | **8.85** | |

| INCOME AND RESOURCES: COMMISSIONING / CONTRACTS | 17/18 £m | NARRATIVE OF PROPOSAL |
|---|---|---|
| Estates and Assets Management | 0.70 | Office closures and disposals |
| Range of Efficiencies | 0.60 | Small contracts / procurement – no impact |
| Digital (IT Savings) | 0.20 | Contracts and procurement |
| Supported Housing Contracts | 0.75 | Contract for housing / homelessness |
| Public Health (Renegotiated Contracts) | 3.00 | Revised contracts and new commissioning approaches on public health services. |
| Changes in Waste Contract | 0.50 | Reduction in value of Biffa contract |
| LCR Integration of Adult Safeguarding | 0.20 | Integrated adult safeguarding hub |
| Waste Levy | 0.60 | Levy agreed with 0% increase |
| Transport Levy | 2.50 | Levy agreed with 10% reduction |
| **COMMISSIONING / CONTRACTS** | **9.05** | |

| INCOME AND RESOURCES: FEES & CHARGES | 17/18 £m | NARRATIVE OF PROPOSAL |
|---|---|---|
| Fees & Charges – general | 0.65 | Review and increase of charges which includes court costs, advertising and others |
| Car Parking | 0.85 | Encompasses three proposals regarding existing tariffs and new charges at country parks and New Brighton and town centres |
| Leisure Centres | 0.50 | 10% price increase on Membership products and pay & play at leisure centres |
| Garden Waste Collection | 0.40 | £5 Increase and removal of £5 on-line discount |
| Business Rates Discretionary Relief | 0.15 | Policy retained with proposal based on organisations eligible for Small Businesses Rate Relief and a Schools contribution |
| **FEES & CHARGES** | **2.55** | |
| **INCOME AND RESOURCES** | **29.70** | |

| SERVICE CHANGES | 17/18 £m | NARRATIVE OF PROPOSAL |
|---|---|---|
| Senior Management Reduction | 0.50 | Staff reductions, targeted at upper management |
| Voluntary Redundancy Programme | 0.50 | |
| Training Budgets | 0.30 | One year pause in spending on car park maintenance, constituency committees and staff training (excluding children's services) |
| Car Park Maintenance | 0.08 | |
| Constituency Committees | 0.20 | |
| **Total SERVICE CHANGES** | **1.58** | |

**APPENDIX 2**

# FEES AND CHARGES 2017/18

## 1.0 SUMMARY

1.1 This report sets out the fees and charges proposed for Council services for the year 2017/18. In accordance with best practice, fees and charges the authority have been reviewed by Business Support and Business Units; the Council follows good practice by maintaining and publishing a comprehensive Directory of its Fees and Charges each year. Income is of increasing importance and there has been a significant effort made to identify all chargeable services and maximise income to the Council.

## 2.0 BACKGROUND INFORMATION

### REVIEW OF CHARGES FOR 2017/18

2.1 Wirral receives income to pay for its services from a number of different sources including:

- Grants from central government
- Grants from other public bodies
- Council Tax and Business Rates
- Fees and Charges

2.2 Wirral provides a wide range of services; some free to users and some charged for. The income from the charged-for services is a key resource to support the funding of services and generates over £40 million per year. Charges are set with the framework of the Medium Term Financial Strategy, the charging policy and legal requirements.

2.3 Fees and charges for statutory services are often set subject to national guidelines. There may be circumstances where the charge is set to manage demand or deter certain behaviour, such as litter fines. The remaining charges for services are discretionary in nature, covering a wide range of services such as Pest Control and Leisure Centres. The Budget proposals include recommendations for fees and charges for 2017/18 following reviews by all service managers.

2.4 A comprehensive Directory of Fees and Charges containing a description of the charge, VAT status and the level of charge in 2017/18 and previous years is held on the Council web-site and updated annually.
http://democracy.wirral.gov.uk/ecSDDisplay.aspx?NAME=SD1172&ID=1172&RPID=502293778&sch=doc&cat=13651&path=13651

2.5 Whilst many fees and charges are unchanged from 2016/17 a number have changed resulting from new legislation or from savings already agreed and have been included in the Directory. Some charges included in the Directory are awaiting final decisions on their implementation and will be confirmed and amended as necessary prior to publication of the Directory in April 2017.

2.6 In general the Council is seeking to cover the full cost of providing services and where it is possible to do so, and in line with the Council's service priorities, the aim has been to move to full cost recovery. As a consequence some charges are being increased by more than the current measure of inflation.

2.7 To enable changes to be implemented as soon as possible to maximise income generation delegated authority is requested for the relevant Director in consultation with the relevant Portfolio Holder and Assistant Director : Finance (/Section 151 Officer) to vary existing fees and charges. Whilst there is an annual review as part of the budget setting process this delegated authority enables a more timely response to changes in the commercial climate and maximises the benefit to the Council financial position.

## 3.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

3.1 The income from Fees and Charges is an integral part of the Council Budget.

## 4.0 RELEVANT RISKS

4.1 Whilst budgets for income from fees and charges are set with regard to whether they are statutory or discretionary, the achievement of income targets can be influenced by a number of factors including the local economic situation. These factors are mitigated by keeping charges under constant review and amending budgets where required to reflect what is deemed achievable.

## 5.0 EQUALITY IMPLICATIONS

5.1 Increases in fees and charges may impact upon certain groups such as those on lower incomes. Policies to offer discounts or apply means tests will help to mitigate these impacts. The implications of specific charges will be addressed by the relevant Directors when implementing any changes.

## 6.0 RECOMMENDATIONS

6.1 That Delegated Authority be given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2017.

6.2 To agree to delegated authority to the relevant Director in consultation with the relevant Portfolio Holder and Assistant Director : Finance (Section 151 Officer) to vary existing fees and charges.

6.3 Approval of the policy for fees and charges as detailed in Annex 1.

**Annex 1**

## Draft Pricing and Charging Policy

### Introduction

The setting of fees and charges is important as it determines who pays for what and what services the Council will subsidise.

The aim of this policy is to provide guidance on the setting of fees and charges. This policy is a framework as well as it gives details of what needs to be considered when reviewing charges.

The purpose of this document is to:

- Give a consistency and cost effective approach to charging.
- Set out the factors that need to be considered i.e. factors to be considered when reviewing.

This document covers the following

- Scope of Charging
- Reviewing Charges
- Factors to consider in an annual review
- Concessions

### Scope of Charging

The Council will charge for services except where there is a clear and formal decision not to do so.

Overriding Principles when setting Charges

- To set charges at a level that achieves both optimum take-up and maximisation of income to the Council.
- Charges raised should be sufficient to cover the full cost of providing the service in question. The total cost should be based on the direct costs of service provision including staff, supplies and services etc plus support service costs.
- Where this is not possible the reason for not doing so the subsidy to the service by the Council Taxpayer should be justified in terms of how this will achieve the Wirral Plan and the 20 Pledges.

### Reviewing Charges

For all services an review of charges should be undertaken at least annually. This can be as part of the budget setting /process. This should fit in with service objectives, changes in markets that services operate in, changes in customer inclinations and budgetary pressures.

A record of all services reviews should be maintained i.e. records, supporting evidence to justify the decisions made.

**Factors to consider in an annual review**

The review of charges should consider the following:

- Inflation – All charges should increase at least in line with inflation. The reasons for doing so should be known, specified and recorded.

- Competition – The actual or potential consequences of any service competitors on service use of any change in prices should be assessed.

- Take up of the Service- The trend in the use of the service i.e. current take up and potential take up of the services may be affected by changes in charges.

- Budget requirements- The requirements of the Medium Term Financial Strategy and the need to make budgetary changes.

- Costs – Services are expected to cover costs wherever possible. A potential change in charges should assess how far a service has reached this objective.

- The use of Alternative/Flexible Charging Structures - The use of alternative charging structures should be considered especially if they are more effective in delivering income. This may include an assessment of the effectiveness of the use of alternative charging in the past. For certain services differential charging, promotional charging, flexible charging (i.e. charges for a standard/premium service, fast/high quality service), frequent user discounts should be considered.

- The method and the cost of income collection - How much is the costs of collection when assessed against the income generated.

**Concessions**

Concessions should only be offered to help achieve specific Wirral Plan objectives and 20 Pledges.

**APPENDIX 3**

# LEVEL OF GENERAL FUND BALANCES

## 1.0 EXECUTIVE SUMMARY

1.1 This Appendix sets out the level of General Fund balances the Council maintains and the approach that has been used to determine this level.

## 2.0 BACKGROUND AND KEY ISSUES

### INTRODUCTION

2.1 Sound financial management principles require that sufficient funds are retained by the Council to provide a stable financial base at all times. To retain this stable financial base the Council needs to maintain a General Fund balance that is sufficient to provide a financial reserve for unanticipated expenditure and/or expenditure that is of an unforeseen, emergency nature.

2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to Councils on the assessment of the adequacy of unallocated general reserves. This recommends that an assessment of risks both external and internal should take place when the Council is setting its annual budget. The Council needs to have in place arrangements to ensure its' sustainable financial health and have measures in place to mitigate against financial risks. One aspect of this is the maintenance of sufficient General Fund balances.

### LOCALLY DETERMINED LEVEL OF GENERAL FUND BALANCES

2.3 The level should be based on the Council's own specific circumstances. Grant Thornton in their report of December 2014, "Rising to the Challenge: the evolution of local government" identified best practice as follows:

- The Council operates within a locally determined appropriate level of reserves and balances.
- The General Fund balance is maintained at or above the locally agreed minimum level.

2.4 The setting and justification of General Fund balances is part of the Council Medium Term Financial Strategy. It is crucial the Council has sufficient balances, and earmarked reserves, to maintain financial standing and resilience. For local authorities there is no statutory minimum level and it is for each Council to take a view on the required level having regard to matters relevant to its local circumstances.

2.5 CIPFA guidance issued in 2014 states that in order to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.

2.6 CIPFA state that the financial risks should be assessed in the context of the Council's overall approach to risk management. In its paper "Local Authority Reserves and Balances" the following factors are relevant to determining the level of balances.

- The treatment of inflation and interest rates.
- The treatment of demand led pressures.
- The treatment of planned efficiency savings/productivity gains.
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject.

2.7 In determining the appropriate level of balances the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council takes into account of the main risks and uncertainties including:-

- Legislative changes
- Inflation
- Grants and Partnerships
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims
- Energy Security and Resilience

2.8 This has been Wirral Councils approach since November 2012 and is reviewed in line with CIPFA guidance. A consideration of the risks and the financial circumstances that might be faced by Wirral for 2017/18 has been made. The risk factors used in the Councils assessment are similar to those recommended by CIPFA guidance. It proposes a minimum level which the Council must maintain and updates the previous assessment of February 2016.

## FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION

2.9 The Revenue Monitoring throughout 2016/17 has shown that the Council has been overspending in specific areas with an overall positive position predicted at the year end. Work continues for this financial year so that it continues to be delivered within the resources available. At December 2016 (Quarter 3) the projected underspend was £0.4 million. The process for the 2017/18 Budget has included a risk assessment of all savings.

2.10 Based upon the approach set out above and having regard to both the current financial position and the Budget for 2017/18 and beyond the calculation has been updated and is detailed in the Annex 1.

## SUMMARY OF THE ASSESSED GENERAL FUND BALANCES

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

2.11 The February 2017 assessment for 2017/18 is a reduction on the assessed amount for 2016/17. The main change has been a reduction in the risk associated with the adult social care demand led budgets which reflects the mitigation provided by the additional funding due in 2017/18. This being from the increase in the Adult Social Care Precept, the Adult Social Care Grant and the Improved Better Care Funding. In addition, the integration with Health will commence in 2017/18 reducing the risk factor further as this is seen as an improved way to manage demand. The inflation risk has been revised upwards for supplies and service costs to reflected potential general rises that may occur and have been forecast by the Bank of England. 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.

2.12 The 2016/17 General Fund balance risk calculation was for a minimum of £11.5 million at 31 March 2017. The latest Monitoring Report December 2016 (Quarter 3) showed that the projected position was £11.8 million. This is based on a projected underspend of £0.4 million. The projected amount is £1.8 million above the target amount of £10 million for 2017/18 and can support the General Fund Budget. Any further underspending in 2016/17 and reduced call on balances will be allocated in the same away. This will be detailed in the financial outturn for the year.

## 3.0 RELEVANT RISKS

3.1 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The holding of sufficient funds is to support resilience. The locally and risk based approach to the level of General Fund balance is in line with the achievement of this approach.

3.2 The calculation of the level of General Fund balances is based upon an assessment of risk against a series of key areas which takes into consideration the specific issues as they affect Wirral.

3.3 Setting General Fund balances to a % of the net budget or at a level of balances based on the level of regular Council expenditure and income e.g. two months of regular expenditure and income do not assess the specific circumstances that the Council faces.

## 4.0 RESOURCE MPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

4.1 The locally determined approach to General Fund Balances results in an assessed level of balances.

## 5.0 RECOMMENDATIONS

5.1 The level of General Fund balances recommended continues to be based on a locally determined approach to the assessment of the financial risks that the Council may face in the future.

5.2 The Council maintains its level of balances at, or above, the locally determined level of General Fund balances.

**Annex 1**

## ASSESSMENT OF GENERAL FUND BALANCES 2017/18

| Area of Risk | 2017/18 | | |
|---|---|---|---|
| | Budget £000's | Risk Levels | Value £000's |
| **Legislative Changes** | | | |
| Local Business Rates Income | 30,975 | 4.00% | 1,239.0 |
| Investments – Bank Bail in Arrangements | 1,000 | 9.00% | 90.0 |
| Single Status | 3,000 | 3.00% | 90.0 |
| | **58,775.0** | | **1,419.0** |
| **Inflation** | | | |
| Employees | 119,609 | 0.10% | 119.6 |
| Premises | 15,349 | 0.75% | 115.1 |
| Transport | 5,870 | 1.50% | 88.1 |
| Supplies | 112,000 | 1.50% | 1,680.0 |
| Services | 136,000 | 1.00% | 1,360.0 |
| | **529,597.0** | | **3,362.8** |
| | | | |
| **Grants and Partnerships** | | | |
| Housing Benefits incl Admin Grant | 140,769 | 0.50% | 703.8 |
| Better Care Fund | 30,000 | 1.00% | 300.0 |
| Alternative Delivery operation | 0 | 0.00% | 500.0 |
| | **170,769.0** | | **1,503.8** |
| | | | |
| **Volume / Demand Changes** | | | |
| Capital Receipts | 10,000 | 9.00% | 900.0 |
| Customer and Client Receipts | 48,030 | 1.00% | 480.3 |
| Demand Led Budgets (Social Care) | 92,000 | 1.00% | 920.0 |
| Collection Fund | 127,430 | 0.25% | 318.6 |
| Winter Pressures | 400 | 0.00% | 0.0 |
| | **277,860.0** | | **2,618.9** |
| **Budget Savings** | | | |
| Budget Reductions (held in the Contingency) | **0** | **0.00%** | **0.0** |
| | | | |
| **Insurance/Public Liability Third Party Claims** | | | |
| MMI Liabilities | 380 | 5.00% | 19.0 |
| Legal Liabilities | 9,723 | 2.00% | 194.5 |
| Self-Insured Liabilities | 2,977 | 2.00% | 59.5 |
| | **13,198.0** | | **273.1** |
| **Energy Security and Resilience** | | | |
| Infrastructure failure | **3,000** | 25.00% | 750.0 |
| Carbon Tax Legislation | **400** | 20.00% | 80.0 |
| | | | |
| | | | |
| **TOTAL** | | | **10,007.5** |

**APPENDIX 4**

# RESERVES

## 1.0 EXECUTIVE SUMMARY

1.1 This is the mid-year review of the amounts held in reserves. It recommends the release of those reserves which are no longer required and for them to be added the General Fund Balances. This is then be available to support the General Fund Budget.

## 2.0 BACKGROUND AND KEY ISSUES

2.1 Integral to the effective use of resources is an understanding of the overall financial position of the Authority. The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the establishment and maintenance of local authority reserves which makes it clear that Councils when reviewing their Medium Term Financial Strategies should consider the establishment and maintenance of reserves.

2.2 Resources set-aside for specific purposes reserves should be established and used in accordance with the purposes intended. The minimum level of new reserves and provisions is set at £20,000 unless these relate to amounts held in trust all reserves are reviewed at least twice a year.

2.3 The Constitution and Financial Regulations require that any reserves which are established are monitored and used in accordance with statutory financial guidelines.

2.4 For each reserve there needs to be a reason for / purpose of the reserve and details of how and when the reserve can be used.

**RESERVES**

2.5 Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes. The categories of earmarked reserves are as follows:

| Category and Description |
|---|
| INSURANCE AND TAXATION<br>Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc. |
| TRANSFORMATION<br>Support the development and transformation of the Council which includes the investment to deliver future savings and one-off workforce reduction costs |
| SCHOOLS RELATED<br>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<br>Includes Government Grant funded schemes when the grant is received and spend incurred in the following year such as Public Health and the sums held are earmarked for the completion of Council programmes such as Community Asset Transfer, planned maintenance and parks improvements |

2.6 Annex 1 provides details of the reserves which are no longer required and can be released.

## 3.0 RELEVANT RISKS

3.1 Regular Balance Sheet management is required to ensure that the authority has a sufficient level of funds to cover any future liabilities whilst being able to release any funding not required back to the General Fund for use in funding services and/or reducing Council Tax levels.

## 4.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

4.1 The setting and justification of provisions and reserves is a key element of the Councils financial process. At the start of 2016/17 the Council held over £73.9 million in earmarked reserves, prior to any release or use of reserves.

## 5.0 RECOMMENDATIONS

5.1 That the release of £9.2 million of Reserves be agreed.

5.2 That released Reserves be added to General Fund Balances to support the Revenue Budget.

**REVIEW OF RESERVES AS AT FEBRUARY 2017** **Annex 1**

**Summary of Reserves**

| Reserve Category | 2015/16 Balance | Predicted Use | Amount to be released |
|---|---|---|---|
| | £ | £ | £ |
| **Insurance & Taxation** | 26,375,520 | 18,175,520 | 8,200,000 |
| **Transformation** | 11,657,256 | 11,657,256 | 0 |
| **Schools** | 14,858,824 | 14,858,824 | 0 |
| **Support** | 21,024,565 | 19,984,039 | 1,040,526 |
| **Total** | **73,916,165** | **64,675,639** | **9,240,526** |

**Reserves to be Released**

| Reserve Category | Brief Description | 2015/16 Balance | Predicted Use | Amount to be released | Comments on released reserves |
|---|---|---|---|---|---|
| | | £ | £ | £ | |
| **Insurance & Tax** | Insurance Fund | 10,867,459 | 8,367,459 | 2,500,000 | Release based on assessment of demands on the Fund. |
| **Insurance & Tax** | Housing Benefits | 5,204,350 | 4,204,350 | 1,000,000 | Release of sums held pending Audit as claims now completed. |
| **Insurance & Tax** | Business Rates Equalisation | 10,303,711 | 5,603,711 | 4,700,000 | Release following latest review of income for 2017/18. Risk that insufficient resources to meet loss of Rates income. |
| **Insurance & Tax Total** | | **26,375,520** | **18,175,520** | **8,200,000** | |

| Reserve Category | Brief Description | 2016/17 Balance | Predicted Use | Amount to be released | Comments on released reserves |
|---|---|---|---|---|---|
| | | £ | £ | £ | |
| **Support** | Children's Centre Income Reserve | 6,548 | - | 6,548 | Cover by Bad Debts Provision. |
| **Support** | Housing Renovation Loan Repayments (Home Improvement Fees) | 308,806 | 186,000 | 122,806 | Cover by alternative funding in the Capital programme. |
| **Support** | Environmental Health | 21,601 | - | 21,601 | Surplus to requirements. |
| **Support** | Grounds Maintenance and Utilities | 124,658 | 74,658 | 50,000 | Minor use and service agreed to release of amount. |
| **Support** | Wirral Home Improvement Agency | 295,269 | 150,000 | 145,269 | Amount reserved for service pilot with the balance released. |
| **Support** | Neptune, New Brighton | 18,333 | - | 18,333 | Works completed, balance released. |
| **Support** | Challenge Fund Properties | 205,418 | 100,000 | 105,418 | Element offered after review. |
| **Support** | Housing Stock Surveys | 17,900 | - | 17,900 | Future requirements to be funded from capital programme. |
| **Support** | Planned Preventative Maintenance | 311,000 | 155,000 | 156,000 | Expected to be spent in 2016/17. Element released in 2016/17. |
| **Support** | Environmental Health – Backfills | 46,000 | - | 46,000 | Surplus to requirements. |
| **Support** | Trading Standards – Backfills | 17,000 | 9,000 | 8,000 | Surplus to requirements. |
| **Support** | Coroner's Office | 38,177 | - | 38,177 | Reserve not used in 2015/16 or 2016/17 so released. |
| **Support** | Asset Management - Asset Review | 210,629 | 40,000 | 170,629 | Element offered after review. |
| **Support** | Asset Management - Planned Maintenance | 219,355 | 100,000 | 119,355 | Element offered after review. |
| **Support** | Wirral Emergency Volunteers | 29,490 | 15,000 | 14,490 | Element offered after review. |
| **Support Total** | | **1,870,184** | **829,658** | **1,040,526** | |

**APPENDIX 5**

**DRAFT COUNCIL BUDGET 2017/18**

(Growth and Savings allocated to services)

| | Base Budget 2016/17 | Draft Budget 2017/18 | Draft Pilot Scheme 2017/18 |
|---|---|---|---|
| | £ | £ | £ |
| **INCOME** | | | |
| Revenue Support Grant | 50,710,000 | 36,966,100 | - |
| Top Up | 41,630,000 | 50,434,000 | 50,434,000 |
| New Homes Bonus | 3,177,900 | 2,264,100 | 2,264,100 |
| Business Rates Baseline | 34,827,900 | 30,974,900 | - |
| Pilot Scheme Business Rates | - | - | 67,941,000 |
| Business Rates S31 Grants | 2,193,700 | 6,460,000 | 6,460,000 |
| Improved Better Care Fund | - | 1,400,000 | 1,400,000 |
| Council Tax Requirement | 120,274,100 | 127,430,400 | 127,430,400 |
| Contribution to Business Rates Reserve | - | - 5,373,400 | - 5,373,400 |
| Contribution from balances & Reserves | 11,782,100 | 15,625,000 | 15,625,000 |
| **FORECAST INCOME** | **264,595,700** | **266,181,100** | **266,181,100** |
| | | | |
| **EXPENDITURE** | | | |
| **People** | | | |
| Adult Care & Public Health | 71,835,700 | 75,835,700 | 75,835,700 |
| Children & Families | 74,056,600 | 79,356,600 | 79,356,600 |
| **People Total** | **145,892,300** | **155,192,300** | **155,192,300** |
| | | | |
| **Environment** | | | |
| Environmental Protection | 28,425,000 | 27,327,400 | 27,327,400 |
| Housing & Communities | 17,126,950 | 15,836,350 | 15,836,350 |
| Leisure & Culture | 17,789,800 | 16,482,200 | 16,482,200 |
| **Environment Total** | **63,341,750** | **59,645,950** | **59,645,950** |
| | | | |
| **Business** | | | |
| Business & Tourism | 2,360,600 | 2,560,600 | 2,560,600 |
| Transport, Technology & Infrastructure | 36,954,700 | 33,522,400 | 33,522,400 |
| Resources | 1,684,450 | 990,450 | 990,450 |
| Transformation & Improvement | 2,361,900 | 1,869,400 | 1,869,400 |
| **Business Total** | **43,361,650** | **38,942,850** | **38,942,850** |
| | | | |
| **NET COST OF SERVICES** | **252,595,700** | **253,781,100** | **253,781,100** |
| | | | |

| | | | |
|---|---|---|---|
| **REVENUE CONTINGENCY** | | | |
| Adult Social Services | 3,900,000 | 5,400,000 | 5,400,000 |
| Children and Young People | 5,000,000 | 5,000,000 | 5,000,000 |
| Other Areas | 3,100,000 | 2,000,000 | 2,000,000 |
| **Contingency Total** | **12,000,000** | **12,400,000** | **12,400,000** |
| | | | |
| **FORECAST EXPENDITURE** | **264,595,700** | **266,181,100** | **266,181,100** |

**APPENDIX 6**

## CHIEF FINANCIAL OFFICER STATEMENT

## SUMMARY

Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves. Section 25 also requires Members to have regard to this report in making their decisions.

## BACKGROUND

Local Authorities decide every year how much they are going to raise from Council Tax. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year.

The decision on the level of the Council Tax is taken before the financial year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:

a) making prudent allowance in the estimates for each of the services;
b) ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

This Statement is intended to give Members assurance that the Budget has been based on the best available information and reasonable assumptions.

In order to meet the robustness requirement a number of key processes have been in place, including:

- Review by finance staff involved in preparing the base budget and supporting information.
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure.
- Existing and future expenditure pressures are identified by reference to financial monitoring reports for 2016/17.
- Ownership by the Senior Leadership Team of proposed savings and their achievability.
- Identification of financial risks.
- The Section 151 Officer provided advice throughout the process.
- Consultation with the Members, public and groups as required.
- Accountable Managers identifying issues, projecting demand and considering value for money and efficiency.
- Ongoing development, and refinement, of data and information to monitor service volume and unit costs and track changes in both.

## RELEVANT RISKS

A formal Risk Review of the Revenue Budget is undertaken to reflect local circumstances and from this it is proposed that Balances be set at a level appropriate to the identified risks. This is a separate section in this report and Appendix 3 details the risk assessment on General Fund balances.

Risks in relation to the Revenue Budget and Capital Programme flow in part from the assumptions in the Annex and will be kept under review as part of the Financial Monitoring Reports to Cabinet throughout the 2017/18 financial year.

## ROBUSTNESS OF THE REVENUE ESTIMATES

The 2017/18 budget built on the process followed in 2016/17 including a robust process to identify, review and assess both growth and savings proposals. This saw the production of proposals which were subject to public consultation and review by Elected Members.

Cabinet agreed proposals in December 2016 to assist in the production of a balanced Revenue Budget for 2017/18 under the headings of:

- Delivering Differently
- Income and Resource Management
- Service Changes

These are formally concluded with the setting of Council Tax levels for 2017/18.

In assessing the robustness of Revenue Budgets the key risks remaining are:

- The actual delivery of the approved savings and efficiencies.
- The impact of increasing demand for services, particularly care services, and reducing grant funding outlined in Government announcements.
- The confirmation of Government grants, of which a number remain unknown.
- Changes to the Capital Programme and associated revenue costs.
- The possibility of legal challenge including judicial review.
- On-going review of the risks relating to Council Tax and Business Rates collection levels and appeals.

These assumptions and changing circumstances require forecasts to be regularly reviewed. This includes the identification of options for consultation and to more detailed budgets being prepared for the next financial year, and the medium term, during the autumn.

The Council continues to face a challenging future while needing to achieve the Wirral Plan, to Deliver Services Differently and to increase Income. If proposals are delayed or not delivered in a way that produces the benefits anticipated there will be a need to make up the shortfall from other additional reductions elsewhere.

Changes to the business rate system. The Council is participating from April 2017 in a no detriment pilot of 100% retention across the Liverpool City Region. This is to test how the full implementation planned for 2020 will work. It is currently therefore difficult to evaluate what the changes will mean for the Council as the full details of how the full operation of Local Government Funding, including the ending of Revenue Support Grant and the transfer of new responsibilities to local authorities will operate. Further details, such as updating the relative needs formulae (determining how resources are initially distributed between councils) and the impact of business rate appeals, have yet to be determined.

In order to mitigate the financial risks associated with the implementation of savings and to improve the robustness of the estimates, a Revenue Budget Contingency is to be maintained drawn from General Fund balances that have been supplemented by the release of Earmarked reserves.

**ROBUSTNESS OF THE CAPITAL PROGRAMME**

The agreed Capital Programme includes projects costed at current year prices with many subject to a subsequent tender process which lead to variance in the final cost. In some areas, the design brief may not yet be finalised, again giving rise to potential price variance. This is a known risk and can be managed through phasing or reduction in specification.

In assessing the robustness of the Capital Programme the risk of being unable to fund variations outside of the Programme is minimal mainly due to the phasing of projects. If necessary, the Council can choose to freeze parts of the Programme throughout the year to ensure spend is kept within the agreed budget.

The main risks of the Capital Programme are:-

- The ability to deliver the Programme within the agreed timescales. The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2017/18 Programme.
- The future Programme includes new starts based on the availability of resources. There is a number of significant asset disposals planned and in today's climate, the capital receipts may be higher / lower than expected. The Programme includes the Transformation Programme funded from capital receipts placing increasing reliance upon timely delivery of receipts. A failure to materialise will have consequences on the availability of revenue funding.

## ADEQUACY OF THE GENERAL FUND BALANCES AND RESERVES

The recommended approach to determining the level of General Fund balances and reserves follows the guidance issued by Grant Thornton (the Council's External Auditor) and CIPFA (the professional organisation responsible for the Accounting Code). The Level of General Fund Balances for 2017/18 is referred to in the main report.

## RESOURCE IMPLICATIONS

In the Medium Term Financial Strategy and Council Budget 2017/18 report to Cabinet on 8 December 2016 the Budget Projection for 2017/18 indicated a shortfall between spend and resources of £45 million and a projected budget funding gap for the period 2017/21 of £132 million.

Cabinet considered savings options totalling £33.9 million for 2017/18 on 8 December 2016. This met the Forecast Funding Gap for 2017/18. These included a Council Tax increase of 1.99% and the 2% Adult Social Care Precept costs which are now subject to further consideration by Cabinet following the receipt of the Provisional Local Government Finance Settlement.

Further information has been received about the Settlement and Council Tax setting arrangements as well as the Liverpool City Region 100% Business Rates Retention Pilot Scheme. The detail in the body of the Cabinet report reflect a revised position, where necessary to ensure best use of public funds and a Budget set within the constraints of central government parameters.

**APPENDIX 7**

## 100% BUSINESS RATES RETENTION PILOT SCHEME

## LIVERPOOL CITY REGION

This agreement sets out the terms by which the local authorities listed at Annex B (hereafter referred to as the Liverpool City Region authorities) will pilot 100% business rates retention.

This agreement comes into effect from 1st April 2017 and expires on the national introduction of full business rates retention.

The pilot is to be without detriment to the resources that would have been available to individual Liverpool City Region authorities under the current local government finance regime, over the four year Settlement period, including the resources that would have been available to the councils under the 50% business rates retention scheme. Details of this arrangement are set out under Annex A.

From 1st April 2017 the Liverpool City Region authorities will retain 99%[1] of their non-domestic rating income[2]. They will also receive section 31 grants in respect of Government changes to the business rates system. Section 31 grant will amount to 99% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality. In moving to 100% rates retention:

- DCLG will no longer pay Revenue Support Grant to the Liverpool City Region authorities;
- The Department for Communities and Local Government will not pay improved Better Care Fund funding to the Liverpool City Region Authorities in 2017/18. The additional retained business rates will be used to ensure that an equivalent sum to the value of the foregone grant will be earmarked for adult social care services and must be:
    a) Pooled into Liverpool's Better Care Fund; and
    b) Used to fund Adult Social Care services.

  This sum will be subject to the Better Care Fund national conditions 2017 - 2019 and its planning and assurance process.

The Liverpool City Region Authorities will not be subject to more onerous rules or constraints under the 100% rates retention pilot, than they would have been if they had remained subject to the 50% scheme.

[1] 1% will continue to fund the Fire and Rescue Authority.
[2] As defined in the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI2013/452) (as amended).

The value of these grants in 2017/18 is set out in Annex C.[3] Additionally, values for Revenue Support Grant are set out for 2018-19 and 2019-20, in line with the terms of the multi-year settlement agreed with Liverpool City Region authorities, and the Government's agreement to provide greater certainty about Revenue Support Grant totals from 2017-18 until the end of the Parliament. Whilst RSG totals will need to take account of future events such as the transfer of functions to local authorities, transfers of responsibility between authorities and other unforeseen events, the Government expects the totals set out in Annex C for future years to be those used in future local government finance settlements.

Business rate shares; tariffs and top ups and baseline funding levels for 2017/18 for the Liverpool City Region authorities are set out in Annex C.

Levy and safety net payments due from/to Liverpool City Region authorities, or any pool of which they are members, will be calculated, in accordance with the Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (SI 2013/737) (as amended), as if the Liverpool City Region' authorities were <u>not</u> 100% pilots, but instead were operating under the 50% rates retention scheme.

However, notwithstanding the calculation of levy and safety net payments under the Regulations, the Government will calculate levy and safety net payments due from/to individual Liverpool City Region authorities on the basis of their "retained income" as 100% pilot authorities and on the basis that each authority had a "zero" levy rate and "safety net threshold" of 97%.Any safety net payment due as a result of these calculations will be paid via a section 31 grant.

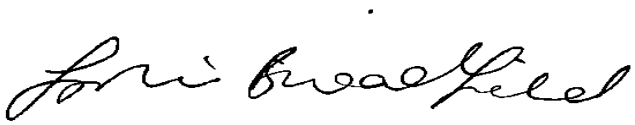
The Government is committed to work with the Liverpool City Region authorities to develop and deepen the pilot for 2018/19 in line with the ambitions of the authorities. For 2018/19, the Government and Liverpool City Region authorities will revise the pilot to reflect any changes to funding allocations; and will consider reviewing the terms of the pilot with a view to the possibility of:

- rolling-in further grants and funding streams, (with commensurate adjustments to tariffs and top-ups), including those that might assist the Liverpool City Region authorities to grow jobs and improve their skill base; and
- assisting the Liverpool City Region authorities to provide the necessary infrastructure to grow jobs and skills, by creating an investment capability to support growth by means of adjustments to the operation of the pilot and the business rates retained under it.

[3] Figures in Annex C are set for 3 years 2017/18 – 2019/20. These are subject to change in 2018/19 should funding allocations increase for the services funded through business rates.

**10 February 2017**

**Signed By:**



Sophie Broadfield, Deputy Director, Local Government Finance Reform, Department for Communities and Local Government

Ged Fitzgerald, Chief Executive, Liverpool City Council

Mike Palin, Chief Executive, St Helens Council

Margaret Carney, Chief Executive, Sefton Council

Eric Robinson, Chief Executive, Wirral Council

Mike Harden, Chief Executive, Knowsley Council

David Parr, Chief Executive, Halton Borough Council

**Annex A: No Detriment**

## Calculating "No-Detriment"

Introduction

1. The 100% pilot is without detriment to the resources that would have been available to the Liverpool City Region authorities under the current local government finance regime over the four year settlement period.

2. In any year for which the pilot exists, to the extent that the pilot arrangements result in fewer resources being available to Liverpool City Region authorities than would have been the case under the existing local government finance regime, the Government will make good the difference, as measured at the level of the pilot area.

3. The "no detriment" calculation will be undertaken following the end of the financial year and the submission of certified figures for non-domestic rating income (ie. following submission of certified NNDR3s) and any payment due from the Government will be made on the same date as any other 2017/18 reconciliation or safety net payments.

Principles

4. To calculate whether the "no detriment" clause is triggered, for each individual authority we will compare the difference between (A) and (B) for each year, where:

   (A) is the sum that would have been retained by the Liverpool City Region authorities under the 50% rates retention scheme in that year, and (B) is the retained business rates income actually retained under the pilot.

   A and B will comprise the following:
   (A)
   - i. 49%[4] of certified non domestic rates income for the Liverpool City Region authorities;
   - ii. compensation for Enterprise Zone reliefs – (currently deducted from the 'central share');
   - iii. the tariff/top-up payment that the authorities would have paid/received if the authorities had not been part of the 100% pilot;[5]

[4] 1% going to the Liverpool City Region Fire and Rescue Authority

[5] For 2017/18, this will be a "notional" tariff and top-up based on the 2016/17 tariff/top-up, adjusted for the "Revaluation wash-through" that would have applied if the authority had not been a 100% pilot. For 2018/19, it will be the 2017/18 "notional" tariff/top-up adjusted for the on-going "Revaluation wash-through"; for the reconciliation of the 2017/18 "Revaluation "wash-through" adjustment; and multiplied by the change in the small business rates multiplier.

iv. any safety net payment that would have been due to the authorities under the 50% scheme based on a safety net threshold of 92.5% of Baseline Funding Level; and

v. the section 31 payments that would have been due to the authority under the 50% scheme;

vi. the amount of grant that would have been paid to the authorities. The amounts are listed at Annex C.

(B)

i. 99% of certified non domestic rates income;

ii. The tariff/top up payment for the authority for the year;[6]

iii. Any safety net payment, (or s.31 payment in lieu of a safety net payment based on 97% of the baseline funding level) for the year;

iv. Section 31 grants due under 99% rates retention[7], including compensation for Enterprise Zone reliefs.

The differences between (A) and (B) at the authority level will then be aggregated at the pilot level and only if A > B at the aggregate level, will a payment be due from central government to the value of that positive difference.

5. The 100% pilot will apply from 1 April 2017 and the business rates income and share of provisions due to each authority under 100% rates retention will apply from this date. Prior year adjustments of income for years before 2017-18 will continue to be based on the 50% scheme. These include:
   a. Prior year adjustments to which section 31 grants would apply

   b. Prior year adjustments for reliefs.

   c. Calculation of the Collection Fund surplus deficit, or any part of it, relating to 2016/17.

[6] For 2017/18, as set out under Annex C. For 2018/19, the value for 2017/18 adjusted for any changes to the amount of rolled-in grants between 2017-18 and 2018-19, adjusted for the on-going "Revaluation wash-through" and for the reconciliation of the 2017/18 adjustment, and multiplied by the change in the small business rates multiplier.

[7] The calculation of section 31 grants due to authorities will be based on 99% local shares – except insofar as the existing "50%" shares will continue to be used in respect of prior year adjustments before 2017/18.

**Annex B**

**Authorities in Liverpool Pilot**

Liverpool
St Helens
Sefton
Wirral
Knowsley
Halton

**Annex C**

**Grants**

The amount of grant to be 'rolled-in' to 99% rates retention for 2017-18 is:

**Revenue Support Grant (RSG) to each constituent authority.**

| Authority | Amount (£m) for 2017/18 | Amount (£m) for 2018/19 | Amount (£m) for 2019/20 |
|---|---|---|---|
| Liverpool | 85.587 | 69.076 | 52.306 |
| St Helens | 20.645 | 15.660 | 10.635 |
| Sefton | 27.059 | 19.440 | 11.762 |
| Wirral | 36.966 | 27.797 | 18.565 |
| Knowsley | 32.831 | 27.109 | 21.318 |
| Halton | 16.790 | 13.082 | 9.339 |

**Improved Better Care Fund (IBCF) to each constituent authority**

| Authority | Amount (£m) for 2017/18 |
|---|---|
| Liverpool | 3.747 |
| St Helens | 0.825 |
| Sefton | 1.019 |
| Wirral | 1.407 |
| Knowsley | 1.309 |
| Halton | 0.548 |

**Baseline Funding Level**

| Authority | Amount (£m) for 2017/18 |
|---|---|
| Liverpool | 254.354 |
| St Helens | 64.633 |
| Sefton | 88.723 |
| Wirral | 114.446 |
| Knowsley | 92.401 |
| Halton | 51.055 |

**Tariffs and Top-Ups**

| Authority | Amount (£m) for 2017/18 |
|---|---|
| Liverpool | 68.069 |
| St Helens | 20.554 |
| Sefton | 21.574 |
| Wirral | 51.842 |
| Knowsley | 51.476 |
| Halton | 7.437 |