



**COUNCILLOR PHIL DAVIES**

**CABINET**  
**19 FEBRUARY 2018**  
**REVENUE BUDGET AND**  
**COUNCIL TAX LEVELS 2018/19**

**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 2018/19 reported to Cabinet on 18 December 2017. It sets out the background and the key elements contributing to the preparation of the Budget for 2018/19.

The Council continues to face financial constraints and pressures. The medium term financial planning period to 2023 will see continued grant funding reductions and increasing financial pressures. Aligned to this the Council will in 2020 assume full responsibility for the raising and collection of income generated locally and used to fund the services accessed by Wirral residents. This report sets out how the Council will balance the budget for 2018/19 and details how the Medium Term Financial Strategy (MTFS) for the Council will be reset for the period up to 2023. The aim of the MTFS will be to establish a sustainable financial position for the period through the development of Outcomes Based Budgeting for the 2019/20 budget and the period to 2020/21-2022/23.

Cabinet has to recommend a 2018/19 Budget proposal to Council on 5 March 2018. This includes a recommendation on the Wirral Council element of the Council Tax to be applicable from 1 April 2018. This is in order to formally set the Revenue Budget and Council Tax for the 2018/19 financial year.

Council has to agree a Budget and set the levels of Council Tax for 2018/19 by 10 March 2018.

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

## **RECOMMENDATIONS**

- 1 Cabinet recommends to Budget Council a Budget proposal for 2018/19 based upon:-
  - a) The Proposals for 2018/19 as set out at Appendix 2.
  - b) The Growth for 2018/19 as set out in sections 3.21 to 3.34 of this report.
  - c) Approve a one-off revenue contribution to be repaid of £1.3m to the Liverpool City Region Mayoral Combined Authority to support the Single Investment Fund in 2018/19.
  - d) The fees and charges, as in Appendix 3, with delegated authority being:-
    - i) given to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2018.
    - 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.
  - e) The level of General Fund Balances being recommended, as set out in Appendix 4, continuing to be based on a locally determined approach based on an assessment of the financial risks that the Council may face in the future and that the Council maintains balances at, or above, this level.
  - f) The release of reserves, as set out in Appendix 5, 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.

- 2 Cabinet recommends to Budget Council that a separate vote be taken in respect of Council Tax levels for 2018/19 and that :-
- a) For Wirral Council Services the Council Tax be increased by 5.99% for 2018/19 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 5 March 2018. 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 choose to implement on a different timescale. This could present a risk to our ability to set a balanced budget for 2018/19 and increase the financial risks faced through the slippage of proposals.

### **3.0 BACKGROUND INFORMATION**

#### **THE WIRRAL PLAN**

- 3.1 This report lays out the Budget for 2018/19 and supports the delivery of the Wirral Plan approved in July 2015. The plan provides a clear ambition for the area based on three overarching priority areas:-

**PEOPLE** Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.

**BUSINESS** Wirral is a place where employers want to invest and businesses thrive.

**ENVIRONMENT** Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

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

### **THE BUDGET STRATEGY 2018/19**

- 3.3 The current MTF5 covering 2017/18-2020/21 was approved by Council in March 2017. This detailed the financial challenge and the size of the anticipated remaining funding gap. It also contained a balanced 4 Year Plan through the implementation of new approaches to service delivery, delivering differently and the generation of income. The Council faces a funding shortfall over the period. The planned ending of the Revenue Support Grant and the acceptance of the four year offer has led to the adoption of a planned and proactive approach to the challenges. A number of decisions will need to be made to successfully deliver the Wirral Plan and MTF5 whilst meeting statutory responsibilities.
- 3.4 The Budget for 2018/19 has been developed within the context of the current MTF5 and the Wirral Delivery Plan. Due to the approval of current MTF5 the Council was able to set a balanced budget for 2017/18 which incorporated funding from reserves and is well placed to set a balanced budget for 2018/19, dependant on council tax decisions and the delivery of the financial proposals discussed in this report. It is clear that in the medium term planning period a budget gap will continue as financial pressures continue and central government grant support reduces.
- 3.5 The table below contains the budget projections for 2018/19, as presented in December 2017. The total revised budget deficit for 2018/19, incorporating £25 million investment in Children’s Services, is projected to be £61 million.

### **Financial Projections 2018/19**

<b>FINANCIAL PROJECTIONS</b>	<b>2018/19 £m</b>	
Annual Budget Gap (MTFS Feb 2017)	25	
Add : Children’s Services	25	
Add : Transformation	5	
Add : Other Amendments	-3	52
Add : One-Offs used in the previous year		+9
<b>Budget Gap</b>		<b>61</b>

## CABINET PROPOSALS 2018/19

- 3.6 Cabinet on 18 December 2017 considered £6 million of budget reductions and proposals for 2018/19. The MTFS 2017/18-20/21 agreed £22 million of indicative proposals for the year. The proposals and use of balances aim to secure financial stability through the setting of balanced budgets each year.

The impact of the new financial pressures for 2017/18 means that the Council is facing a budget gap in 2018/19 that will be, in part, offset through the use of one-off, short term funding. The position at December 2017 is summarised below:

### Overall Financial Projections 2018/19

<b>PROJECTION</b>	<b>18-19 £m</b>
BUDGET GAP	52
Add : One-Offs used in the previous year	9
BUDGET GAP	61
Less Agreed Proposals (February 2017)	22
BUDGET GAP	39
Capital Receipts to fund another year of transformation	10
one-off use of Balances, Reserves & Collection Fund	12
REVISED BUDGET GAP	17
New Savings / Income Proposals December 2017	6
<b>REVISED BUDGET GAP</b>	<b>11</b>

- 3.7 The annual budget has developed from the MTFS agreed in March which has been revised to reflect the financial realities faced and the requirement to fund the pressures that are present in 2017/18 and 2018/19. To accommodate an increase in the gap forecast from that set in the MTFS has meant that the budget process for the coming year has had to look for greater financial proposals than was originally envisaged in March this year and considerably later in the process than would normally have occurred.
- 3.8 The Budget Strategy that has driven the development of budget proposals has again been through the overarching themes of Delivering Differently, Income and Resources and Service Changes. The budget process and the development of new financial proposals have been through the Wirral Plan portfolios.
- 3.9 Cabinet in December authorised Officers to undertake any required consultation and engagement with residents, partners and other stakeholders as required. The outcome of the consultation can be found at Appendix 1. The views of the Overview and Scrutiny Workshops are reported on this agenda.

- 3.10 The schedule of all the revised savings proposals for 2018/19 are detailed in Appendix 2.
- 3.11 Whilst the focus for the Budget 2018/19 process has been on fixing the immediate pressures presented in the current financial year, the Council is investing in its longer term financial stability. While revenue resources are challenged with investment focused on Children's Services for 2018/19, the Council is utilising its capital resources, including assets, to invest for the future and build income sources to support services. This is through initiatives such as the Wirral Growth Company, the capital programme and transformational programmes.

### **PROGRESS SINCE THE PROJECTIONS AT 18 DECEMBER 2017**

- 3.12 This Budget 2018/19 and Medium Term Financial Strategy Report presented to Cabinet on 18 December 2017 included proposed savings. This report provides an update incorporating the impact of subsequent changes including the Local Government Finance Settlement.
- 3.13 The Local Government Finance 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.
- 3.14 As referred to in the December 2017 report, information relating to 2018/19 was awaited and some still remains outstanding which is also the case for future years. This report focuses on the Budget for 2018/19.

- 3.15 The changes to the financial projections and budget proposals considered by Cabinet on 18 December 2017 are as follows:-

#### Updated Budget Proposals and Budget Gap

<b>PROJECTION</b>	<b>18/19 £m</b>
<b>Annual Budget Gap</b>	
Pay- increase of £2m based on offered pay rise.	+2.0
Capital Financing costs – reduction of £1m based on proposed bids.	-1.0
Waste and Transport Levies- reduction of £1m based on anticipated levy due to be agreed in early February.	-1.0
LCR Contribution 2018/19 (repayable) supported by reserve funding	+1.3 -1.3
<b>New Savings / Income Proposals December 2017</b>	
Business Rates – increase in anticipated income due to base and inflation changes.	-0.7
General Council Tax increase to 2.99% rather than 1.99%	-1.3
Children’s Services- Demand and Service Management through prevention	-5.2
<b>one-off use of Balances, Reserves &amp; Collection Fund</b>	
Earmarked Reserves and Collection Fund Surplus Review has resulted in one-off resources being available.	-4.0

- 3.16 The updated position below assumes that all the savings included in the December 2017 Cabinet report will be implemented. The overall change is an increase of £4.0 million in the amount of one off funding that will be required to support the 2018/19 Budget to £26 million. This level of use of one off funding means that there will be an ongoing need to find this from the revenue budget in 2019/20 i.e. the ongoing annual identification of financial proposals including income or non-recurrent cost of £26 million. Work is currently ongoing to invest in the area to develop new future income and regeneration. Income from the Wirral Growth Company will be realised but timing and details will not be known until 2018.



## Summary of Proposed Savings at February 2018

### Operating Structure

	18-19 £m
Business Services	0.87
Corporate Resources & Reform	25.60
Strategy & Partnerships	1.00
Adult Social Care	2.70
Children's Services	5.20
<b>Total</b>	<b>35.37</b>

### Wirral Plan Themes

Theme	Portfolio	18-19 £m
People	Health & Care	2.70
	Children & Family	5.20
Environment	Environment	0.58
	Housing & Community Safety	0.14
	Localism & Engagement	0.09
Business	Finance & Income	26.20
	Highways & Transport	0.46
<b>Total</b>		<b>35.37</b>

### Overall Financial Projections 2018/19

PROJECTION	December 2017 18-19 £m	February 2018 18-19 £m
BUDGET GAP	52	52
Add : One-Offs used in the previous year	9	9
BUDGET GAP	61	61
Less Agreed Proposals (February 2017)	22	22
BUDGET GAP	39	39
Capital Receipts to fund another year of transformation	10	10
one-off use of Balances, Reserves & Collection Fund	12	16
REVISED BUDGET GAP	17	13
New Savings / Income Proposals December 2017	6	13
<b>REVISED BUDGET GAP</b>	<b>11</b>	<b>0</b>

- 3.17 The 2018/19 Budget process included a review of the issues identified from the 2017/18 monitoring. The financial pressures faced in both Children's and Adult Social Care Services affect all local authorities with a 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 the Transformation Programme Integration with Health project assist in meeting the financial pressures faced.

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 2018/19 budget in these service areas.

- 3.18 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 2018/19 will be delivered. Their development has been through a number of processes. This has included examination and scrutiny by Members and Officers and an assessment of the likelihood of deliverability. The Section 151 Officer has also reviewed the 2018/19 Budget 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.
- 3.19 In addition to this assessment of 2018/19 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.
- 3.20 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**

- 3.21 The Budget Projections for 2018/19 include an assessment of growth of £47 million arising from investment in services, inflation and other changes. The Council’s main areas of investment are Children’s Services (£25 million) and Transformation (£5 million). In 2018/19 budget growth is also proposed for demographic changes, inflationary rises and other financial pressures. 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.

## **INVESTMENT IN SERVICES TO MEET DEMAND PRESSURES AND TRANSFORMATION**

3.22 Service and financial pressures emerged towards the end of 2016/17 in relation to the Social Care of Children and Adults and have continued in 2017/18. The main area of pressure is Children's Services, where resources in 2017/18 have increased by £15m being originally planned as one-off support for 2017/18. Projections are for an overspend of £3.8m (with further £1m for Legal Services costs) for the service this year.

3.23 The position reflects in part the national picture with children's social care coming under unprecedented levels of demand across the Country. It is understood that 75% of children's social care departments are overspending with an estimated 90 children a day being taken into care. Wirral currently has its highest ever level of looked after children increasing by 150 in the past year. The projections are that this will increase in future years to potentially over 900 children. This has put the current budget for 2017/18 under strain and unless action is taken this will continue into future financial years. In revising the MTFs and budget for 2018/19, investment will be included for Children's Social Care with an additional £25 million planned for the service. This will be focused on:-

- New and permanent social workers to reduce the use of agency staff;
- Investing in early help and intervention services to be more able to work with families earlier before they need more extensive interventions;
- Increasing the safeguarding capacity;
- Funding the increased cost of placements for children in care including legal fees, transport and youth provision.

The service is undergoing a significant period of transformation and this investment is needed to deliver a more efficient and sustainable children's service in the future with fewer children in care. The aim is to reconfigure services to provide effective support to Wirral children, services that are appropriate, moving to an early intervention and prevention approach, with fewer Children having to experience being placed in care in the future years.

The proposed budget anticipates that these changes will begin in 2018/19 and the financial affect of this is forecast to be £5.2 million.

3.24 The MTFs has delivered a range of innovative changes as well as generating increased income. However the increase in the gap now presented by the pressures in social care means that a new strategy and framework for future budgets is required. If the Council is to achieve the required future budget reductions while continuing to invest in services including regeneration for the people of Wirral, further service transformation and investment in the re-development of the area to produce income is needed. To take this forward, additional resources of £5 million are needed for 2018/19. This will be used to progress initiatives such as the Growth Company, rationalisation of assets, the integration of health and social care and the digital strategy.

- 3.25 A number of assumptions have been made in growth to cover demand led pressure within Adult Social 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 2018.

### **PAY AND PENSIONS**

- 3.26 Pay inflation was originally set at 1% per year, in line with government plans. Since then, Central Government has relaxed the pay restraint requirements. The latest Pay offer from the Local Government Employers (LGE) organisation indicates an average 2.8% increase in 2018/19, which takes account of higher percentage award to lower grades to reflect the increases in the living wage. For 2019/20 the pay award would average 3.8%, reflecting Wirral moving to the new National Spinal Column Points being suggested for the LGE.

#### **Pay Costs**

Description	2018/19
	£m
Original Budget Assumption	1.1
<b>Revised Assumptions</b>	<b>3.1</b>
Increase in Budget Gap	2.0

- 3.27 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. 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.

#### **Pension Costs**

Description	2018/19
	£m
Budget Assumption	9.8
Revised Deficit Recovery	9.4
Deficit Recovery 2017/18-2019/20 Annual Change	-0.4
Revised Contributions	1.0
Total Change in Costs	0.6

- 3.28 Inflation has been incorporated for contract inflation with no provision being made for general price increases. This approach has been adopted in the budget for a number of years and means that general inflationary pressures will need to be accommodated within existing budgets.

### **LEVIES AND LIVERPOOL CITY REGION COMBINED AUTHORITY**

- 3.29 There is a statutory requirement to agree the levies for 2018/19 before 14 February 2018 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.
- 3.30 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 2 February 2018. 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 2018/19 reduces by £0.1 million and is factored in to a revision to the financial position.
- 3.31 The Merseyside Recycling & Waste Authority met on 2 February 2018 and agreed the Waste Levy for 2018/19. 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 2018/19 is factored in to a revision to the financial position and has resulted in an improvement of £1 million.
- 3.32 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 2018/19.
- 3.33 In order to support the 2018/19 transitional Mayoral requirements of the Liverpool City Region Combined Authority, the six constituent councils will make revenue contributions totalling £6.2m into the Single Investment Fund, of which Wirral's contribution will be £1.3m. This is an investment in the future of the City Region and a demonstration of each Council's commitment to the Single Investment Fund. Through this approach it is anticipated that each of the constituent Councils in the City Region will benefit from a repayment of this sum and future economic returns arising directly and indirectly from the application of the Single Investment Fund. It is proposed to fund the 2018/19 contribution from the Business Rates equalisation reserve.

### 3.34 **Summary of the Growth**

	2018/19
By Change	£m
Children's Social Care	25
Transformation	5
Adult Social Care	
Inflation and pay awards	6
Investment in Services for increased demands	6
Other (levy, grant changes)	10
Revised Growth	52

### **FEES AND CHARGES**

- 3.35 With Business Rates to be retained locally from 2020 and the phasing out of the main Government Revenue Support Grant, income generation assumes even greater importance. The Council continues to look at income opportunities having regard to the level of risk and linkages to the priorities as set out in the Wirral Plan and in the underpinning Growth, Treasury Management and Asset Management Strategies. Within the range of income sources is also that received through fees and charges.
- 3.36 Within the Growth Strategy are the areas of developing and expanding business growth which brings economic benefits to Wirral as well as additional income from Business Rates and from increasing the housing stock on Wirral with this generating additional Council Tax income.
- 3.37 Treasury Management activities relate to the management of the Council's cash flow. This includes the investment of sums held (be it through Government Grants received in advance of the need to spend or sums held in balances to meet unplanned spending or reserves required to meet future spend) in areas to generate an income having regard to the risks associated with investment. Also the minimising of borrowing costs (through the use of internal funds to defer the need to borrow).
- 3.38 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.
- 3.39 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 2018/19 Budget. Appendix 3 provides detail.
- 3.40 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 2018.

- 3.41 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.

### **COUNCIL TAX**

- 3.42 Cabinet on 18 December 2017 agreed the Council Tax Base for use in 2018/19. The number of properties are adjusted for the Local Council Tax Support Scheme and other Council Tax Discounts, Exemptions and Disabled Relief and then converted to a Band D figure and then by the Collection Rate to give the Council Tax-Base.

#### **Wirral Council Tax Band D calculation 2018/19**

<b>Band</b>	<b>Properties 2017</b>	<b>Changes due to C Tax Support, discounts, exemptions</b>	<b>Revised property equivalent</b>	<b>Ratio to Band D</b>	<b>Net Band D equivalent</b>
A	60,161	-25,267.2	34,893.8	6/9	23,262.5
B	32,323	-7,388.5	24,934.5	7/9	19,393.5
C	27,326	-4,114.9	23,211.1	8/9	20,632.1
D	13,347	-1,468.4	11,878.6	9/9	11,878.6
E	8,165	-701.0	7,464	11/9	9,122.7
F	4,278	-325.0	3,953.0	13/9	5,709.9
G	3,120	-201.8	2,918.2	15/9	4,863.6
H	262	-38.0	224.0	18/9	448.0
Band A Disabled (1/9 <sup>th</sup> of Band A)		79.2	79.2	5/9	44.0
<b>Total</b>	<b>148,982</b>	<b>39,425.6</b>	<b>109,556.4</b>		<b>95,354.9</b>
Collection Rate					x 96.75%
Adjusted Council Tax-Base					92,255.9

- 3.43 The increase in the Council Tax-Base from 2017/18 to 2018/19 will result in increased Council Tax income of approximately £1.5 million in 2018/19. Wirral's share of the precept after the non-collection allowance is applied will be £1.3 million. This amount has been reflected in the 2018/19 Budget.

- 3.44 Cabinet in December 2017 announced that the assumption was that General Council Tax levels would be increased by 1.99% and the 3% Adult Social Care Precept subject to the Settlement. The Government subsequently announced as part of the local government finance settlement that General Council Tax could increase by 2.99%. The Referendum threshold for general Council Tax increases was revised in the Local Government Finance Settlement to 3% from 2% for 2017/18. The calculation of the Referendum ‘trigger’ amount is a comparison between overall Band D levels for 2017/18 and 2018/19 (includes levies). Also confirmed was that the Adult Social Care Precept will be allowed to increase by 3% in 2018/19 and in 2019/19 on condition that the total increase 2017/18 to 2019/20 does not exceed 6% over the three years. For Wirral the 3% increase planned for 2018/19 will be the last year with no increase allowed under the current rules.
- 3.45 The decision on the level of Council Tax is made by Council in March. The current proposals containing for 2018/19 assume that general Council Tax will increase by 2.99% and the Adult Social Care Precept by 3%.

#### **Council Tax Options 2018/19**

Options	£m
Tax Rise of 2.99% for Council Services	4.0
Tax Rise of 3% for Adult Social Care	3.9
Tax Rise of 5.99% being below the Referendum Level	7.9

#### **SETTING THE COUNCIL TAX LEVELS**

- 3.46 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 2018/19 is not excessive meaning that a Referendum is not necessary.
- 3.47 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 2018/19 with that for 2017/18 for the Council’s basic amount of Council Tax. The Local Finance Settlement 2018/19 sets the Referendum ‘trigger’ at 5.99% for Adult Social Care authorities with 3% being for Adult Social Care.



- 3.48 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.

### **BUSINESS RATES**

- 3.49 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.
- 3.50 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.
- 3.51 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.

- 3.52 Business Rates are managed through the Collection Fund with any surplus / deficit in 2017/18 being allocated to Wirral Council 49% and to Merseyside Fire and Rescue Service 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2017/18 financial year together with a forecast for 2018/19 had to be submitted to the Government by 31 January 2018. The forecast Business Rates income for 2017/18 shows that the receipts to the Council will increase by £5.3 million from the 2017/18 levels and is higher than the projected sum by £0.7 million.
- 3.53 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 2018/19 is awaited from Government.
- 3.54 The uncertainties that surrounded the operation of and funding of the Business Rates Pilot across the Liverpool City Region plus the Revaluation in 2017 have reduced through 2017/18 as it has become established. Whilst this does remain a complex and volatile area of income it is felt that this has reduced since last year and the earmarked reserve to mitigate against the financial implications in yields from Business Rates may be reduced. Details of this are contained detailed later in the report.

### **CENTRAL GOVERNMENT SUPPORT: LOCAL GOVERNMENT FINANCE SETTLEMENT (LGFS)**

- 3.55 The Local Government Finance Settlement was finalised on 6 February 2018 and was in line with projected changes for 2018/19. The Settlement gave no indication of central government funding beyond 2019/20, the final year of the four-year settlement announced in 2016/17. Additional funding was announced for Adults Social Care (£150 million for 2018/19 for England) and for Children's Social Care £19 million in relation to unaccompanied asylum seeking children was announced. There were no further changes to New Homes Bonus. Wirral, as part of the Liverpool City Region pilot scheme for 100% Business Rates retention no longer receives Revenue Support Grant, funding to the same amount as RSG comes from the direct receipt of all business rates raised, supplemented by a Top-up Grant. The pilot was agreed with Government on the basis that the Council will suffer no detriment to its funding when compared to the funding that would have been received without the pilot being operational. The 2018/19 Settlement saw Wirral's expected Top-up grant reduced from £50.4m in 2017/18 to £42.7m in 2018/19, which is in line with the projected resources in the four-year settlement offer.

- 3.57 The Fair Funding Review – Needs Assessment consultation paper was released by the Government as part of the settlement. Responses are due back on 12 March 2018 with the outcomes of the needs and resources reviews likely to be implemented in 2020/21. This is anticipated to have a major impact on the distribution of funding between Councils in England. The consultation paper is a key part of the development of a new funding formula that will ultimately assess spending needs and available resources in every Council. Few details of the likely impact on Wirral are known but will be fed into future updates of the financial projection from 2020/21.
- 3.58 The Settlement announcement continues to 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 for the 2018/19 Settlement (and 2019/20) has been “relaxed” to 2.99%.
- 3.59 The Settlement confirmed that the £1.8 million Adult Social Care Grant received in 2017/18 was a one-year only grant. It has been replaced in 2018/19 by the Adult Social Care Support Grant, the allocation to Wirral is £1.1 million for 2018/19. Wirral’s share of the three-year Additional Social Care funding announced in an earlier budget will fall from £8.3 million to £5.1 million. Both of these additional funding streams, together with the Council Tax Social Care precept, have to be allocated to Adult Social Care. An additional £3.7 million funding from the Improved Better Care Fund, bringing Wirral’s allocation to £13.4 million, was announced in the Settlement. The changes to New Homes Bonus introduced last year have produced a further £0.75 million reduction in this grant for 2018/19, to £1.52 million with further reductions expected for future years.
- 3.60 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 BCF allocations for 2018/19 are awaited, although, as noted above, the allocation of the Improved Better Care Fund to be paid direct to the Council was announced.

- 3.61 In announcements outside the Settlement, the Department of Health has confirmed Public Health Grant for 2018/19 at £29.1 million which is as expected. Education Services Grant has been discontinued after the last payment in 2017/18, covering the final term of the 2016/17 academic year; there will be no ESG in 2018/19.

### **LEVEL OF GENERAL FUND BALANCES**

- 3.62 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.
- 3.63 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 of 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 risk factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (the professional body which issues the guidance in this area).
- 3.64 Appendix 4 has the calculation updated and adapted for 2018/19 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 2018/19 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 which commenced in 2017/18 is 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 2017/18, has been included in the Revenue Budget Contingency for 2018/19.

### **Summary of the Assessed Level of General Fund Balances**

	2017/18	2018/19
	£m	£m
Assessed at February 2018	10	10

£10m of general fund balances represents 3.7% of the Council's new revenue budget.

- 3.65 The latest Revenue Monitoring Report Quarter 3 (December 2017) showed the projected balance at 31 March 2018 to be £14.1 million. This is based on a projected underspend of £1.3 million. The projected amount is £4.1 million above the target and will be used to support the Budget in 2018/19. Any further underspending in 2017/18 and reduced call on balances will all be allocated in the same way. This will be detailed in the financial outturn for the year.

### Summary of the Projected General Fund Balances 2017/18

Details	£m
Actual Balance at 1 April 2017	+10.0
Add: Increase from Collection Fund surplus 2016/17	+4.6
Add: Additional Returned New Homes Bonus Grant	+0.2
Add: Potential Underspend at December 2017	+1.3
Less: Tree maintenance programme	-1.2
Less: Potential Unfunded New Ferry Costs	-0.3
Less: Memorial Event Funding per Cabinet 17 July 2017	-0.1
Less: Implementation of General Data Protection Regulation	-0.4
<b>Projected Balance 31 March 2018</b>	<b>14.1</b>

### REVIEW OF RESERVES

- 3.66 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 next years Budget. The review recommends the release of £10.5 million as detailed in Appendix 5 as being no longer required and will be transferred to General Fund balances to support the budget in 2018/19.

### 3.67 Categories of Reserves

Category and Purpose
<b>INSURANCE AND TAXATION</b> Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
<b>TRANSFORMATION</b> Support the Transformation programme, which includes support to projects to deliver future savings and the reconfiguration of services.
<b>SCHOOLS RELATED</b> Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
<b>SUPPORT SERVICE ACTIVITIES AND PROJECTS</b> Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer, planned maintenance and parks improvements.

## **FINANCIAL YEAR 2017/18**

- 3.68 The financial position in 2017/18 provides a guide for the development of the Budget for 2018/19. The latest Revenue Monitoring report details the position at Quarter 3 (to 31 December 2017) and is on this agenda.
- 3.69 The latest projections are for a £1.3 million underspend whilst work continues to identify further in-year savings. However this reflects overspends within Environment plus Adult Social Services and Children's Services, the latter two areas are primarily as a result of increased care costs. Although offset by the revenue contingency and projected underspends within other areas the position for 2017/18 highlights the challenges that can be expected in the new financial year.
- 3.70 In considering the reported position Cabinet is reminded that the Quarter 1 (June 2017) Monitoring Report identified pressures and the decision was made to allocate £8.5 million of the 2017/18 contingency. This comprised of £5 million within People – Children & Families, £2 million in People – Adult Social Care and Health and £1.5 million in Business. After use to mitigate pressures, £3.5 million of the Revenue Budget Contingency remains unallocated to services and is offsetting pressures for the year.
- 3.71 The issues highlighted throughout 2017/18 are important when considering the deliverability of the Budget for 2018/19 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.
- 3.72 Adult Social Services has been an area of concern in 2017/18 with the service facing increasing numbers of clients and increase of care fees. The predicted overspend at the end of December is £1.5 million. 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 and precept in 2018/19, it is felt that the pressures in 2018/19, while challenging, should be mitigated through service actions.
- 3.73 As mentioned previously, Children's Social Care faced service pressures from the increased number of children in care and the result of implementing the actions recommended from the 2016 Ofsted. Financial pressures have occurred in year with the forecast overspend for 2017/18 for Children's Services being £3.6 million. Investment in the service for 2018/19 is planned and has been detailed earlier in the report.
- 3.74 An assessment of previous year's savings and the financial proposals for 2018/19 has indicated that the majority will be achieved. However a number of proposals are rated as amber and red and will be closely monitored during 2018/19.

## RESULTING PROPOSED REVENUE BUDGET 2018/19

3.75 The proposed budget for 2018/19 reflecting all the details in this report and the appendices is set below. :

### Budget Summary 2018/19

<b>Forecast Income</b>	<b>Budget 2018/19 £m</b>
<b>Council Tax</b>	127.43
- Housing (4,500 properties)	1.10
- Increase 2.99% in 18/19 & 19/20 (1.99% for rest)	4.00
- Adult Social Care Precept of 3% per year 17/18, 18/19	3.90
<b>Business Rates</b>	126.24
- Loss of Business Rates Top Up (Due to RSG rolled in)	-7.00
- Improved Better Care Fund Rolled in	12.00
- Business Rates Base increase	4.20
- Business Rates Inflation	1.00
<b>New Homes Bonus</b>	1.56
<b>Capital Receipts to fund another year of transformation</b>	10.00
<b>One-off use of Balances, Reserves &amp; Collection Fund</b>	16.08
<b>Total Funding</b>	300.52

<b>Forecast Operating Structure Expenditure</b>	<b>Budget 2018/19 £m</b>
Business Services	77.01
Corporate Resources & Reform	1.52
Strategy and Partnerships	58.60
Children's Services	84.63
Adult Social Care	78.76
<b>Total Forecast Expenditure</b>	300.52

<b>Forecast Theme/Portfolio Expenditure</b>		<b>Budget 2018/19 £m</b>
<b>People</b>	Adult Social Care and Health	89.76
	Children & Families	92.80
<b>Environment</b>	Environment	46.20
	Housing and Community Safety	22.12
	Localism and Engagement	1.20
<b>Business</b>	Finance and Income Generation	8.06
	Highways and Transport	33.01
	Leadership	2.18
	Transformation	5.19
<b>Total Forecast Expenditure</b>		300.52

## Impact on General Fund Balances

- 3.76 The Budget includes the use of £16 million of General Fund Balances to support the Revenue Budget. 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 2017/18 report agreed to the distribution of the 2017/18 surplus with the Council receiving a “one-off” distribution of £1.4 million from Council Tax. The release of Earmarked Reserves is referred to in section 3.73 and Appendix 5.

## Projected General Fund Balances

Details	2017/18 £m	2017/18 £m
General Budget Balances as at 1 April 2018		14.1
Add: Transfer from the Collection Fund Council Tax	+1.4	+1.4
Add: Transfer from Earmarked Reserves: Insurance Fund Business Rates Reserve Housing Benefit Reserve Support to Services	2.5 4.6 2.0 1.4	+10.5
Less: Support to Revenue Budget 2018/19		-16.0
General Fund Balances 31 March 2018		10.0
Target General Fund Balances 31 March 2019		10.0

- 3.77 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.
- 3.78 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.
- 3.79 Over the MTFS 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.



## **ROBUSTNESS OF THE ESTIMATES**

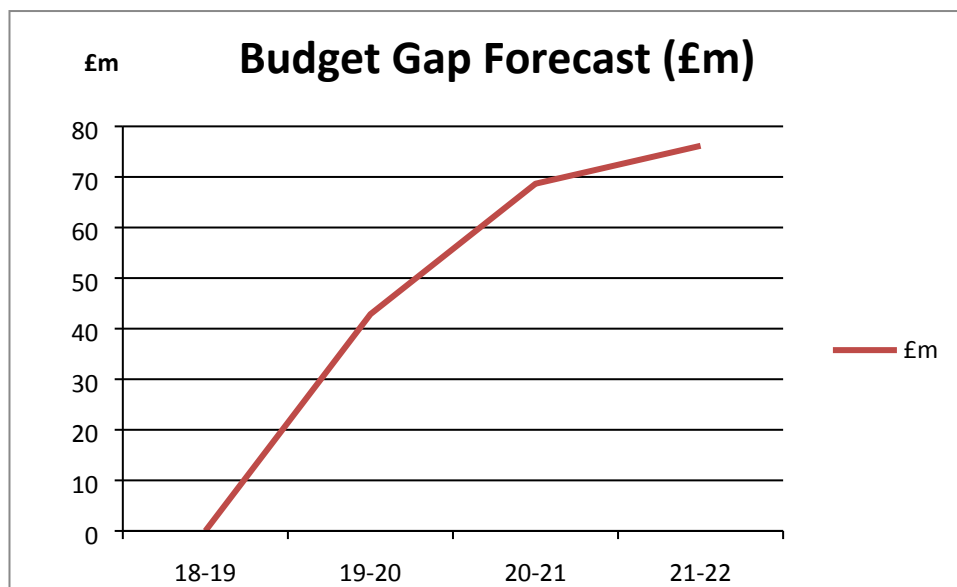
- 3.80 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.
- 3.81 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.

## **MEDIUM TERM FINANCIAL STRATEGY 2019/20-2022/23**

- 3.82 The Government announced in December 2015 the key components of the Council's funding for the period up to 2019/20. Through Wirral's acceptance of the four year settlement deal these levels are confirmed for three years. This does and has provided some assurance around funding and enables financial planning to be clearer. There does however remain uncertainty beyond 2019/20 for 2020/21 and 2021/22. The Fair Funding Review consultation paper was released by the Government in December 2017, with outcomes likely to be implemented in 2020/21.
- 3.83 The Council through its MTFs has been able to set a balanced budget for 2017/18 and is positioned to do the same for 2018/19, subject to Council Tax decisions and the delivery of MTFs financial proposals set out in this report. However after 2018/19 there is a new funding gap to be resolved. The gap is forecast to reach £76 m by 2021/22 of which £43 m relates to 2019/20.

### **Budget Projections 2018/19-2021/22: Budget Gap Forecast**

PROJECTIONS	19/20 £m	20/21 £m	2021/22 £m
Cumulative Budget Gap	43	69	76
Annual Budget Gap	43	26	7



- 3.84 The Council has since 2010 delivered a programme of savings and increased income in response to financial pressures and cuts to government funding. The response over recent years has been to find solutions through efficiencies, a number of innovations and transformation plus raising more income. The use of one off funding in 2018/19 means that the period 2019/20-2021/22 represents a new challenge and to respond requires a reset to the Medium Term Financial Strategy. The Council has already developed and agreed indicative proposals for the period 2019/20-2020-21 as part of the MTFs 2017/18-2020/21 agreed in March 2018. With the development of the new MTFs these will be reviewed and incorporated in the financial projections for the new financial planning period.
- 3.85 During 2018 a new MFTS will be developed alongside the Wirral Plan using the outcome based budgeting approach. Work has already commenced on the development of the outcomes based framework for how the Council can achieve a balanced budget at the same time as continuing to deliver the Wirral Plan. The solutions, balancing the budget, will also come from the Council's commercial and income strategy and approaches, generating additional income from new and existing sources. Investing to establish long term and diverse sources of income will be combined with an examination of how and where the Council currently spends. The Council has made progress in previous years. There are considerable challenges with finding £76m of increased income and budget changes from services in the three years from 2019/20. The challenge of this, following 8 years of austerity and annual funding reductions should not be underestimated. The size of the budget gap and what is to be found makes it more difficult to find solutions that do not affect service delivery, as the scope for efficiencies and changes to the way things are done is reduced. The year 1 requirement is £43m and means that significant decisions will be required throughout 2018.

- 3.86 To develop the framework an overview of the development of the new MTFs will be considered by Cabinet later in the year. This report will outline the framework of how the Council can achieve the needed budget changes while at the same time delivering for Wirral. The Council's new organisational structure, building on the delivery of the Wirral Plan for the Council, will aim to align the plan for the Council with the development of a new financial strategy to ensure that our financial resources are fully matched to the actions and tasks that will achieve the outcomes of the Wirral Plan.
- 3.87 The new strategy will develop through the course of 2018 as the Council looks at what it wants to deliver and supporting research provides the evidence needed to produce business cases on where income can be increased and costs can be reduced. A key element of this will be transformation with digital and technological innovation being essential to the facilitation of service change and efficiencies. However technological investment will be required and the Council will utilise as far as possible the flexible use of capital receipts.
- 3.88 In a challenging financial environment the Council will also pursue all appropriate sources of funding, including additional grants. The aim is to maximise future grant funding to ensure the Council is able to further invest in its pledges and the area. It is anticipated that maximisation would be through identification of funding opportunities, target grant applications plus work to seek and develop long term grant partnerships.
- 3.89 Outcomes Based Budgeting means aligning our financial resources to the Wirral Plan key outcomes. Wirral's budgeting process has traditionally started with the current year's budget as its base and made adjustments for assumptions such as pay and pressures. Financial proposals have been developed to meet the resulting gap through a themed approach to meet the budget gap for a particular year. This approach can result in duplication and not enough focus on directing resources to outcomes.
- 3.90 Outcomes based budgeting aims to match financial resources to the achievement of Wirral Plan outcomes. The approach will:
- Start with the outcomes that the Wirral Plan is planning to achieve;
  - As part of the Transformation Programme there will be an examination of the activities that contribute, asking how they contribute and how can this be demonstrated;
  - Target financial resources towards the achievement of outcomes.
  - Maximise grant funding to invest in Council pledges.
- 3.91 The result will be an MTFs and budget that minimises duplication of activities and spend on services, improving value for money through a

targeted approach. It also aims to deliver a cross Council understanding of what the Council is undertaking, the reasons for this and how it is delivering. Ultimately outcomes based budgeting seeks to align financial resources via the annual budget to the achievement of outcomes of the Wirral Plan. Council investments in services and assets will be clearly seen to achieve the Wirral Plan.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The financial implications are detailed in the report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 The Council is required to agree a Budget for 2018/19 by 10 March 2018. The Chief Financial Officer is required under Section 25 of the Local Government Act 2003 to produce a report on the robustness of the estimates made for the Council's Budget.

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

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

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

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

#### **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

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

## **7.0 RELEVANT RISKS**

- 7.1 The financial position for 2018/19 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 budget for 2018/19 is reliant on the generation of future capital receipts. It is planned that £10 million of revenue funding will be funded from capital receipts through utilising the flexible use of capital receipts freedoms in 2018/19. The generation of capital receipts is sensitive to the fluctuations in the performance of the property market including changes in land values. If sales and prices reduce or not take place, it will be necessary to look to mitigate including through the use of limited revenue funding and further sales of assets.
- 7.4 The Council needs to have good financial resilience at a time of increasing financial pressures and in difficult economic times. The approach adopted is to determine the level of General Fund balances as part of setting the Annual Budget. It is based on local circumstances having regard to an assessment of risk. Both Grant Thornton (the Council's External Auditor) and CIPFA (the professional body) have issued guidance which supports the approach.
- 7.5 There is a risk that agreed changes will not be delivered or that increasing pressures will be faced by services, particularly those that are demand led services. The progress on the delivery of the agreed Budget will be through the Financial Monitoring reports presented to Cabinet. The Budget 2018/19 preparation has included an assessment of the level of General Fund Balances.
- 7.6 The 2018/19 Budget is supported by the use of one off funding from the use of balances, capital receipts and reserves. Whilst this approach can be adopted it does present a risk in that this action is only a temporary solution. The challenge associated with the use of one off funding is the requirement to develop budget reductions across the Council or additional income. While work has been started on future years further efforts are required with the development of the MTFs planning process to meet the challenges of replacing the one off funding with permanent solutions. This

can be mitigated by the earlier delivery of the proposals emanating from the Transformation Programme.

- 7.7 The Robustness Statement required under Section 25 of the LGA gives an assurance regarding the deliverability and sustainability of the Estimates as well as the adequacy of the level of reserves and balances. This is set out in Appendix 6.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Following Cabinet on 18 December 2017 the required consultation and engagement with residents, partners and stakeholders where required has been undertaken. The details of responses can be found at Appendix 1. This included the Overview and Scrutiny Committees and a report on the outcomes is on this Cabinet agenda.

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

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

## **9.0 EQUALITIES IMPLICATIONS**

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

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## **APPENDICES**

Appendix 1	Budget 2018/19: Consultation Findings
Appendix 2	Financial Proposals 2018/19
Appendix 3	Fees and Charges 2018/19
Appendix 4	Level of General Fund Balances
Appendix 5	Reserves
Appendix 6	Chief Financial Officer Statement (Robustness of Estimates).

## **REFERENCE MATERIAL**

Council Budget 2017/18 agreed by Council on 6 March 2017.  
Autumn Budget 2017 issued by HM Treasury on 22 November 2017

Local Government Finance Settlement 2018/19 issued by the Ministry of Housing,  
Communities and Local Government– 6 February 2018  
Section 25 Local Government Act 2003.

### **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Council	6 March 2017
Cabinet	19 December 2017
Medium Term Financial Strategy and Budget 2018/19	
Budget Decision Council – 5 March 2018 Procedure and Rules	
Council Tax Base 2018/19	