

BUDGET 2018/19: CONSULTATION FINDINGS

1.0 EXECUTIVE SUMMARY

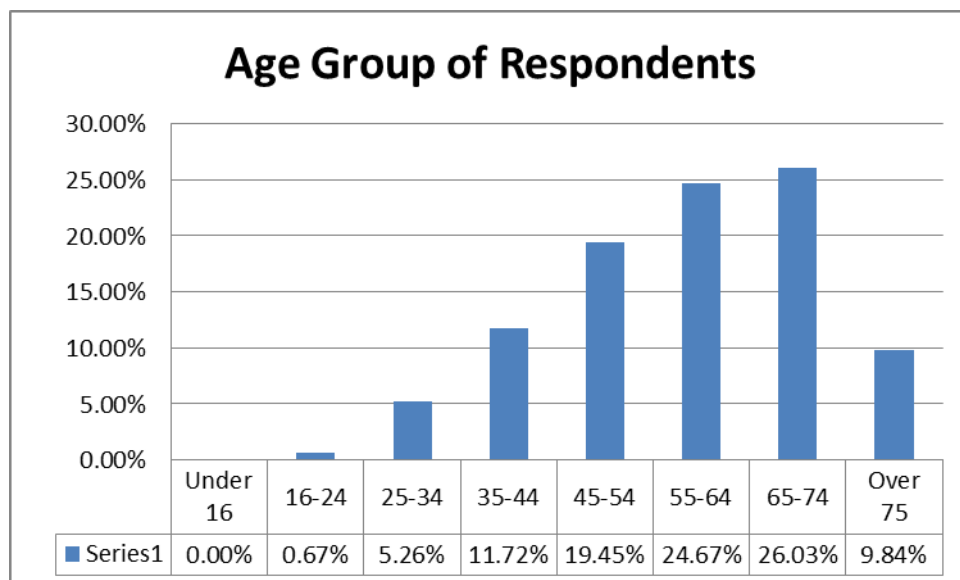
Consultation feedback which has been received from residents and people using services is presented for Members within this report. The report contains the results of the general consultation questionnaire, as well as feedback received relating to specific budget proposals requiring consultation – namely the proposals to introduce parking charges at various coastal locations and introducing a small charge to use public conveniences in the borough, in order to offset the cost of their maintenance.

Residents were provided with a summary of each budget proposal, covering the level of saving predicted to be achieved, the nature of the proposal, its potential impact and the mitigation which could be employed by the council.

2.0 PROFILE OF RESPONSES

The Council received 5975 responses to the budget consultation, which ran from 16 January to 02 February 2018. The vast majority of responses came from Wirral residents (5749), with 454 coming from staff and 32 coming from people identifying themselves as representing a partner organisation.

As the chart below shows, the respondents generally came from older age groups, with most respondents being aged 35 and older.

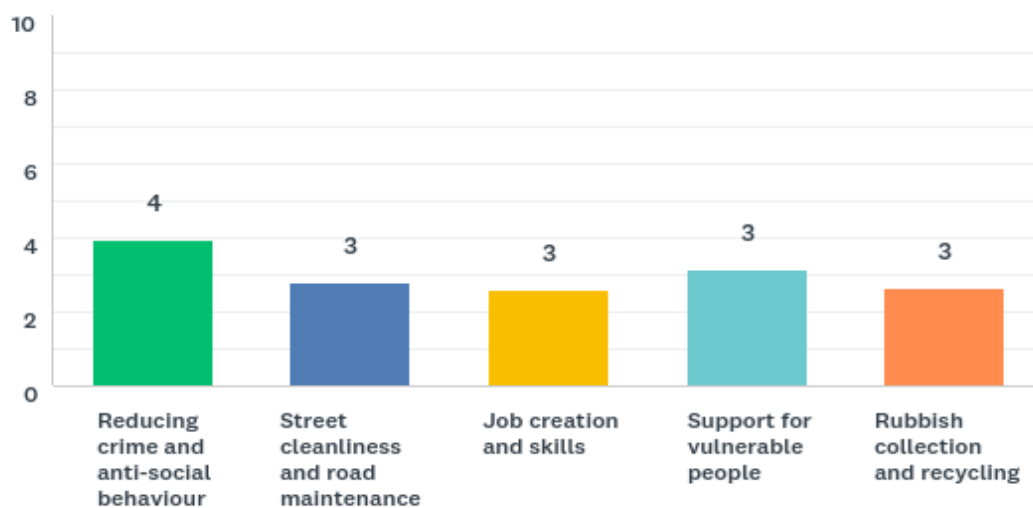


The responses were also more heavily weighted towards those people living on the west of the borough, with 31% from Wirral West, 29% from Wirral South, 22% from Wallasey and 17% from Birkenhead. Both this geographical split and the differences in the age profile of respondents is similar in theme to consultations run in previous years.

3.0 FEEDBACK RECEIVED

The data provided to Members below demonstrates feedback from residents on the questions within the general consultation questionnaire.

The first question was related to council and budget priorities. Residents were provided with a list of 5 priorities and asked to indicate if they agreed with them and then to rank their importance. 85% of residents agreed that the areas listed should be the council's top priorities. The chart below provides the ranking data, which demonstrates that Wirral residents believe **reducing crime and anti-social behaviour** should be our top priority, closely followed by support for vulnerable people (2), street cleanliness and road maintenance (3), rubbish collection and recycling (4) and job creation and skills (5).



The following tables present the feedback received from the general policy themed questions within the budget questionnaire. Generally, the responses demonstrate relatively strong support for the council developing shared services with other councils and organisations, and for finding more efficient ways to deliver services – either through working with community and voluntary organisations or commissioning services outside of the council.

There is also relatively strong support for utilising council land and buildings to drive growth in the economy and creating jobs. A more mixed view was provided on charging for some services in order to ensure their costs are covered.

The Council provides a number of services either for free, or for a fee which is less than the service actually costs. The Council could charge enough to cover costs in these areas. To what extent do you support or oppose this approach?

Answer Choices	Responses	
Strongly support	10.09%	484
Support	27.74%	1331
Neither support nor oppose	29.55%	1418
Oppose	20.05%	962
Strongly oppose	12.57%	603

Wirral Council could look into whether the private sector, or a community or voluntary organisation, could provide a cheaper, more efficient service for some Council functions. To what extent do you support or oppose this approach?

Answer Choices	Responses	
Strongly support	17.33%	834
Support	34.73%	1671
Neither support nor oppose	15.54%	748
Oppose	17.17%	826
Strongly oppose	15.23%	733

Provided the Council was still responsible for making sure the quality of services was high enough, would you support the Council paying someone else to deliver services, rather than delivering them itself?

Answer Choices	Responses	
Strongly support	13.99%	672
Support	36.65%	1761
Neither support nor oppose	14.26%	685
Oppose	18.79%	903
Strongly oppose	16.32%	784

A number of Councils work together to provide joint services, which bring major cost savings. Wirral could work with Councils across Merseyside and Cheshire to provide certain services this way. To what extent do you support or oppose this approach?		
Answer Choices	Responses	
Strongly support	28.33%	1362
Support	46.58%	2239
Neither support nor oppose	13.73%	660
Oppose	6.53%	314
Strongly oppose	4.83%	232

The Council owns a large amount of land and buildings across Wirral, and could use this land to create jobs, drive growth in the economy and bring money into the Council to fund services. To what extent would you support or oppose this approach?		
Answer Choices	Responses	
Strongly support	26.76%	1280
Support	36.50%	1746
Neither support nor oppose	17.22%	824
Oppose	11.33%	542
Strongly oppose	8.19%	392

4.0 BUDGET PROPOSALS

The budget questionnaire also asked residents for their views on what should be considered if services were to be reduced or changed. More than 3000 comments were received, which mainly focussed on ensuring the vulnerable and less well-off were supported. Other themes focussed on reducing the costs of services through becoming more efficient, and reducing bureaucracy and perceived unnecessary spend on services and the running of the Council.

Car Parking at Coastal Locations

Summary of Proposal

The Council is proposing to raise some revenue to support local services by charging for parking at some visitor locations, including North Parade (between Hoylake and Meols), South Parade, West Kirby, Derby Pool (Wallasey), Kings Parade (Wallasey), Gunsite (Leasowe), and Leasowe Lighthouse.

Do you have any comments or concerns about this proposal?

Summary of Feedback

4130 comments were received from residents on this proposal. General themes of feedback can be summarised as;

- Comments mainly expressed concern at the impact of the proposed charges on the numbers of visitors at the locations.
- People responding in general opposed the charges, and also highlighted fears that visitors would instead park in nearby residential areas.
- A small number of respondents stated they would support parking charges provided the costs were reasonable and the facilities well maintained.

Public Conveniences

Summary of Proposal

The Council is also proposing to part fund the maintenance of local public toilet facilities by introducing a small charge, around 30p, to use them.

Do you have any comments or concerns about this proposal?

Summary of Feedback

3900 comments were received from residents on this proposal. General themes of feedback can be summarised as:

- Different views were provided as to whether 30p was too high or too low a charge, with people being similarly split on whether they support the proposal in general.
- A significant number of comments expressed support at the proposal, stating that public toilets in most locations are no longer free to use.
- Many people also expressed concerns about elderly residents potentially being excluded from using the facilities should a charge be introduced.

BY COUNCIL OPERATION STRUCTURE

Summary

OPERATING STRUCTURE	£m
Business Services	-0.87
Corporate Resources & Reform	-25.60
Strategy & Partnerships	-1.00
Childrens Services	-5.20
Adult Social Care	-2.70
TOTAL PROPOSALS	-35.37

Detail

OPERATING STRUCTURE

BUSINESS SERVICES	18-19 £m
Energy Efficiency	-0.03
Equipment support costs	-0.05
Fees & Charges	-0.06
General restructure across customer services	-0.15
Increase in Planning Income	-0.10
Mayoralty Efficiencies	-0.02
Paperless Committees	-0.02
Properties in Birkenhead	-0.30
Public Conveniences Charging Policy	-0.03
Safer Wirral Hub	-0.03
Selective Licensing	-0.03
Supporting People	-0.05
Total Business Services	-0.87

CORPORATE RESOURCES & REFORM	18-19 £m
Council Tax Increase of 2.99%	-4.00
Council Tax Adult Social Care Precept	-3.90
Council Tax increased from House building	-1.20
Business Rates increased Collection	-4.20
Business Rates inflation	-1.00
Improved Better Care Fund	-6.90
Audit Fees	-0.05
Reduce Employees / Member Training Budgets for one-year	0.20
Treasury Management/ MRP	-3.80
Reduction in Senior Management	-0.75
Total Corporate Resources & Reform	-25.60

STRATEGY & PARTNERSHIPS	18-19 £m
Assisted Travel Procurement	-0.13
Car Park Maintenance reduced for one-year	0.08
Communications restructure	-0.05
Communications service to be expanded	-0.04
Garden waste marketing	-0.30
Introduce Car Parking Tariffs Coastal Sites	-0.25
Litter Enforcement	-0.05
Merseyside Recycling and Waste Authority Levy Project	-0.10
Parking services enforcement	-0.05
Transport Levy	-0.11
Total Strategy & Partnerships	-1.00

CHILDRENS SERVICES	18-19 £m
Mitigate and contain the numbers of looked after children, with a review of placement costs and associated social worker numbers.	-5.20
Total Childrens Services	-5.20

ADULT SOCIAL CARE	18-19 £m
Savings with Adult Social Care	-2.70
Total Adult Social Care	-2.70

BY CABINET PORTFOLIO HOLDER

Summary

Portfolio	£m
Environment	-0.58
Highways & Transport	-0.46
Housing & Community Safety	-0.14
Localism & Engagement	-0.09
Children & Families	-5.20
Health & Care	-2.70
Finance & Income	-26.20
TOTAL PROPOSALS	-35.37

Detail

ENVIRONMENT	18-19 £m
Increase in Planning Income	- 0.10
Public Conveniences Charging Policy	- 0.03
Litter Enforcement	- 0.05
Garden waste marketing	- 0.30
Merseyside Recycling and Waste Authority Levy Project	- 0.10
Total Environment	- 0.58

HIGHWAYS & TRANSPORT	18-19 £m
Car Park Maintenance reduced for one-year	0.08
Assisted Travel Procurement	- 0.13
Parking services enforcement	- 0.05
Introduce Car Parking Tariffs Coastal Sites	- 0.25
Transport Levy	- 0.11
Total Highways & Transport	- 0.46

HOUSING & COMMUNITY SAFETY	18-19 £m
Selective Licensing	- 0.03
Supporting People	- 0.05
Safer Wirral Hub	- 0.03
Energy Efficiency	- 0.03
Total Highways & Transport	- 0.14

LOCALISM & ENGAGEMENT	18-19 £m
Communications service to be expanded	- 0.04
Communications restructure	- 0.05
Total Localism & Engagement	- 0.09

CHILDREN AND FAMILIES	18-19 £m
Mitigate and contain the numbers of looked after children, with a review of placement costs and associated social worker numbers.	- 5.20
Total Children & Families	- 5.20

HEALTH & CARE	18-19 £m
Savings with Adult Social Care	-2.70
Total Health & Care	- 2.70

FINANCE & INCOME	18-19 £m
Council Tax Increase of 2.99%	- 4.00
Council Tax Adult Social Care Precept	- 3.90
Council Tax increased from House building	- 1.20
Business Rates increased Collection	- 4.20
Business Rates inflation	- 1.00
Improved Better Care Fund	- 6.90
Fees & Charges - general in line with policy of full cost recovery	- 1.00
Fees & Charges - in other proposals	0.94
Reduce Employees / Member Training Budgets for one-year	0.20
Audit Fees	- 0.05
Equipment support costs	- 0.05
General restructure across customer services	- 0.15
Paperless Committees	- 0.02
Mayoralty Efficiencies	- 0.02
Treasury Management/ MRP	- 3.80
Properties in Birkenhead	- 0.30
Reduction in Senior Management	- 0.75
Total Finance & Income	- 26.20

FEES AND CHARGES 2018/19

1.0 SUMMARY

1.1 This report sets out the fees and charges proposed for Council services for the year 2018/19. As required by best practice, all of the fees and charges of the authority have been reviewed by Business Units and Business Support staff with a view to maximising income resources within statutory constraints. Wirral follows good practice by maintaining and publishing a comprehensive Directory of its Fees and Charges each year.

2.0 BACKGROUND INFORMATION

REVIEW OF CHARGES FOR 2018/19

- 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 source of funding to support services and generates over £50 million per year. Charges are set with the framework of the Medium Term Financial Strategy, the charging policy and legal requirements.
- 2.3 Many fees and charges for statutory services are set subject to national guidelines. There may be circumstances where the charge is set to manage demand or deter certain behaviour, such as 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 2018/19, following a review process 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 charges in 2018/19, 2017/18 and 2016/17 is held on the Council web-site and updated annually.
- 2.5 Whilst some fees and charges are unchanged from 2017/18 a number have changed as a result of legislation or of savings already agreed; these have been included in the Directory. An Executive Member Decision to increase charges for leisure facilities by 5% as from 1st January was made on 5th December; charges at this increased level are shown in the Directory as approved for 2018/19. Some charges included in the Directory still await final decisions on their implementation; when confirmed these charges will be amended as necessary prior to publication of the Directory in April 2018.

2.6 In setting charges for 2018/19, the Council seeks to cover the full cost of providing services where it is possible to do so in line with the Council's service priorities. As a consequence some charges are being increased by more than the current levels 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 the status of the charges as statutory or discretionary, the achievement of income targets can be influenced by many factors including the local economic situation. The effect of these factors can be mitigated by maintaining a constant review of charges and amending budgets where required to reflect what is 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 2018.

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.

Pricing and Charging Policy

Introduction

The setting of fees and charges is important as it determines who pays for what and which of its 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 of the service and maximum 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. and support service costs.
- Where this is not possible the reason for the effective 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 a 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 objectives of the Wirral Plan and 20 Pledges.

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 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 2018/19 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 2017.

FINANCIAL RESILIENCE: REDUCTIONS TO RISK AND MITIGATION

- 2.9 The Revenue Monitoring throughout 2017/18 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 2017 (Quarter 3) the projected underspend was £1.3 million. The process for the 2018/19 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 2018/19 and beyond the calculation has been updated and is detailed in the Annex 1.

SUMMARY OF THE ASSESSED GENERAL FUND BALANCES

	2017/18	2018/19
	£m	£m
Assessed at February 2018	10.0	10.0

- 2.11 The February 2018 assessment for 2018/19 is the same as the assessed amount for 2017/18. The main changes have been a reduction in the risk associated with the business rate pilot scheme having a no detriment clause. This offsets an increased risk from the release of reserves in 2018/19 that would mean fewer resources available for any clawback of grants.
- 2.12 The 2017/18 General Fund balance risk calculation was for a minimum of £10.0 million at 31 March 2018. The latest Monitoring Report December 2017 (Quarter 3) showed that the projected position was £14.1 million. This is based on a projected underspend of £1.3 million. The projected amount is £4.1 million above the target amount of £10 million for 2018/19 and can support the General Fund Budget. Any further underspending in 2017/18 and reduced call on balances will be allocated in the same way. 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.

4.0 RESOURCE IMPLICATIONS: 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.

ASSESSMENT OF GENERAL FUND BALANCES 2018/19

Area of Risk	2018/19		
	Budget £000's	Risk Level	Value £000's
Legislative Changes			
Local Business Rates Income	67,941	1.00%	679.4
Bail in Arrangements	1,000	9.00%	90.0
	68,941.0		769.4
Inflation			
Employees	136,082	0.10%	136.1
Premises	17,858	0.75%	133.9
Transport	6,898	1.00%	69.0
Supplies	159,805	1.00%	1,598.1
Services	140,000	1.00%	1,400.0
Transfer	160,318	0.00%	0.0
	620,961		3,337.0
Interest Rates			
Borrowing	12,644	0.00%	0.0
Investment	875	0.00%	0.0
	13,519		0.0
Grants and Partnerships			
Housing Benefits incl Admin Grant	140,727	0.50%	703.6
Other General Fund Grants	3,000	20.00%	600.0
Better Care Fund	27,000	1.00%	270.0
Alternative Delivery operation			500.0
	170,727.0		2,073.6
Volume / Demand Changes			
Capital Receipts	10,000	9.00%	900.0
Customer and Client Receipts	52,049	1.00%	520.5
Demand Led Budgets (Social Care)	96,000	1.00%	960.0
Collection Fund	136,430	0.25%	341.1
Winter Pressures	400	0.00%	0.0
	294,879		2,721.6
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
	13,080		273.0
Energy Security and Resilience			
Infrastructure failure	3,000	25.00%	750.0
Carbon Tax Legislation	400	20.00%	80.0
TOTAL			10,004.7

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

- 2.6 A robust reserves strategy is a key part of the financial resilience of the Council and provides the first line of defence underpinning the statutory requirement to set an annually balanced budget. Adequate reserve levels help prevent local authorities from overcommitting themselves financially, mitigate against risk and provide organisational stability in the event of unanticipated, unforeseen or emergency spending being required. An assessment of the adequacy of reserves is a key statutory requirement to be undertaken at least annually. Section 32 Local Government Finance Act 1992 require authorities when determining the annual budget requirement to consider financial reserves appropriate to raise in the year for meeting its estimated future expenditure and to take into account the sufficiency of financial reserves to provide for past revenue budget deficits. Furthermore, the statutory Chief Finance officer report (s25 report) is specifically required to provide an assurance on the overall adequacy of reserves and robustness of the budget strategy (elsewhere on the agenda).
- 2.7 The Council in recent years has increasingly relied on reserves in balancing the budget and in meeting service related financial demands. Actual general fund and earmarked reserves have reduced by £20m between 31 March 2014 and 31 March 2017, representing a 20% reduction. Looking forward, reserves are forecast to reduce further to £47m by 31 March 2019.

- 2.8 The Budget 2018/19 strategy does not provide for any replenishment of reserves, but draws down some £15m as general budget support. This is not sustainable in the longer term and opportunities will need to be taken to contribute to reserves, wherever possible. Demands on the use of reserves will be restricted and closely monitored in the light of ongoing risks being faced by the Council.
- 2.9 The experience at Wirral is common to other Councils. A recent Study by the Office of Budget Responsibility contained details of the level of local authority reserves since 2010/11. This showed that in period 2015/16 and 2016/17, English local authorities drew down from their stock of reserves by £0.4 and £1.5 billion respectively. This reversed the build-up of reserves from 2010, which saw them rise by an average of just under £2 billion a year between 2010/11 and 2014/15.
- 2.10 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 2017/18 the Council held over £55.1 million in earmarked reserves, prior to any release or use of reserves.

5.0 RECOMMENDATIONS

- 5.1 That the release of £10.5 million of Reserves be agreed.
- 5.2 That released Reserves be added to General Fund Balances to support the Revenue Budget.

Summary of Reserves

Reserve Category	2017/18 Balance	Predicted Use	Amount to be released
	£	£	£
Insurance & Taxation	20,878,401	11,797,869	9,080,532
Transformation	3,554,382	3,554,382	0
Schools	12,962,804	12,962,804	0
Support Service Activities and projects	17,669,268	16,249,800	1,419,468
Total	55,064,853	44,564,855	10,500,000

Reserves to be Released

Reserve Category	Brief Description	2017/18 Balance	Predicted Use	Amount to be released	Comments on released reserves
		£	£	£	
Insurance & Tax	Insurance Fund	9,867,459	7,369,060	2,500,000	Release based on assessment of demands on the Fund.
Insurance & Tax	Housing Benefits	4,717,785	2,717,785	2,000,000	Release of sums held pending Audit as claims now completed.
Insurance & Tax	Business Rates Equalisation	6,291,556	1,711,024	4,580,532	Release following latest review of income for 2017/18. Reserve due to be increase by £5.4m. Risk that insufficient resource to meet loss of rates income.
Insurance & Tax Total		20,878,401	11,979,869	9,080,532	

Reserve Category	Brief Description	2017/18 Balance	Predicted Use	Amount to be released	Comments on released reserves
		£	£	£	
Support	Schools Traded Service	173,279	73,279	100,000	No longer required due to operation of company.
Support	HR Support Reserve	487,304	453,297	34007	Amount not required.
Support	One Stop Shop/Libraries IT Network	1,231,510	231,510	1,000,000	Future developments to be funded through capital programme enables release of the reserve.
Support	Home Loan Repayment	223,599	0	223,599	Funded through capital and follows from release of previous balance in 2016-17
Support	Trading Standards	42,250	28,188	14,062	Amount of reserve not now needed and can be released.
Support	Taxi Demand Survey	77,800	30,000	47,800	Survey expenditure anticipated to be less than amount held in reserve.
Total		2,235,742	816,274	1,419,468	

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 and operational 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 2017/18;
- Ownership by the Cabinet Portfolio Holder and 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 2018/19 financial year.

ROBUSTNESS OF THE REVENUE ESTIMATES

The 2018/19 budget built on the process followed in 2017/18 including a process to identify, review and assess both growth and savings proposals. Portfolio Holders and Senior Officers both worked on the development, challenge and scrutiny of financial proposals. This saw the production of proposals which were subject to public consultation and review by Elected Members.

Cabinet agreed proposals in December 2017 to assist in the production of a balanced Revenue Budget for 2018/19. Savings have been grouped under Cabinet portfolio. These are formally concluded with the setting of Council Tax levels for 2018/19.

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 generation of capital receipts from the sale of land and buildings;
- 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 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 2018/19 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 2018/19 is referred to in the main report.

RESOURCE IMPLICATIONS

In the Medium Term Financial Strategy and Council Budget 2017/18 report to Cabinet on 18 December 2017 the Budget Projection for 2018/19 indicated a shortfall between spend and resources of £61 million. The projected budget funding gap for the period 2019/22 is £76.2 million.

Cabinet considered savings options totalling £6 million for 2018/19 on 18 December 2017. This met the Forecast Funding Gap for 2017/18. These included a Council Tax increase of 2.99% and the 3% 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 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.