



## Wirral Council

Chief Executive

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Date: 20 November 2020

YOUR REF: PS110.DOC/DLK

OUR REF: Chief Executive

Email: [paulsatoor@wirral.gov.uk](mailto:paulsatoor@wirral.gov.uk)

Dear Mark,

Thank you for your letter dated 3 November 2020 regarding the Council's financial sustainability.

As you note, the Council is experiencing significant financial challenges this year as a result of the Covid-19 Pandemic and had this not happened, this year was our opportunity to get the finances of the Council back onto a sustainable footing with the aim to topping up our General Fund Balances at the end of the year; something Shaer has been keen to do since she arrived in Wirral. Our ability to fulfil this aim has been severely impacted by the Covid-19 pandemic, which started for the Council in January as we had to respond early with the repatriation of British Nationals from Wuhan to Wirral. The staffing resources required to respond effectively to the pandemic have been substantial, and still are, and this has had an adverse impact on our ability to deliver our 2020/21 savings which, as you are aware, is contributing to our budget gap.

As you will have seen from the 2020 – 2025 Medium Term Financial Strategy and Financial Resilience Strategy that it is our plan not to use one-off funding to support the budget or permanent expenditure as this is clearly unsustainable. 2020/21 was the last year in which any use of one-offs was due to take place, having reduced our reliance on one-off funding since April 2018. This was after £15m of general fund balances were used to support the Children's recovery plan, agreed in February 2018 for the 2018/19 budget after the Ofsted inspection

I note that in your letter you make reference to the Council's financial position at Quarter 1. This was because the Quarter 2 report was only published after your letter had been written. As you will have seen from our Quarter 2 position, the forecast outturn for this year has moved from an anticipated £30.4m overspend to an

overspend of £14.8m and we are continuing to monitor this closely in the hope of further reductions and the achievement of some of the on-going savings.

With regards our capitalisation directive, myself and Shaer continue to meet with LGA to ensure we have submitted all the information they require to validate our request and I hope to bring this to a conclusion next week (*which will actually be w/c 30 November*)

In support of this, we have submitted our 5 year Medium Term Financial Plan and Change Programme to LGA for their consideration to demonstrate how we are able to evidence our return to financial sustainability.

We are anticipating the government 2021/22 funding settlement on 25 November, which may further support our financial position, with a response on our capitalisation directive anticipated over the next few weeks. Myself and Shaer also have a meeting with the Director General, MHCLG this week to discuss Lord Lister's guarantee that no Local Authority in Tier 3 would be unable to report a balanced budget for 2020/21 or set a balanced budget for 2021/22.

Therefore, we are hopeful that, at worst, the capitalisation directive will be approved and at best, receive further cash funding. In the event of the capitalisation directive not being approved, our contingency plan, as highlighted in the report to the Policy and Resources Committee on 7 October 2020 is to impose a budget cut on all services of 5%, 10% or 15% from 2021/22 and to utilise the General Fund balances. I would not want to be in a position to do this, as it is completely at odds with our plan to fundamentally change the way the Council operates and place our emphasis on outcomes for prevention and demand reduction. In the event we are still unable to balance the budget for 2021/21 using our contingency plan, then Shaer will have no alternative but to issue a Section 114 statement.

I am optimistic however, that with Government support, we will be able to get back onto a financially sustainable footing, enabling a robust budget that does not place any reliance on on-offs to support ongoing expenditure. The Leader of the Council and Policy and Resources Committee are fully on board with the current situation, and I have shared your letter with them and with the Audit and Risk Management Committee.

I will continue to keep you updated of our position and the outcome of our submission for the capitalisation directive

Yours sincerely

A handwritten signature in black ink, appearing to be 'PS' or 'Paul Satoor', written in a cursive style.

Paul Satoor  
Chief Executive