Medium Term Financial Strategy 2022-27
Wirral Council

Contents

Introduction

The Medium-Term Financial Strategy (MTFS) is a core document in our financial planning activity, this document sets out the strategy of how all the business strategies link to the Wirral Plan 2026 (Wirral Plan), the financial scenarios supporting these strategies and the delivery of our long-term objectives.

Links are also made in the Council policies to the organisation's financial context via the Capital Programme and Treasury Strategy, through to the annual budget and the Medium-Term Financial Plan (MTFP), that demonstrates the financial resilience of the Council. The MTFP is a summary document of the revenue budget incorporating the deliverables of the strategies by Directorate, the amount of funding available; including financial pressures and saving the Council are experiencing.

The aim of the MTFS is to consolidate the considerations that form the financial position of the Council including its financial sustainability and resilience over the medium term in the deliverability of the Wirral Plan. Ensuring objectives and policies are balanced against resource constraints as part of the decision-making process required in financial planning to ensure that only beneficial outcomes are resourced in line with the Wirral Plan.

A key part of the MTFS is to highlight the budget challenges that will need to be addressed by the Council over the coming financial years. This is achieved by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending. It assesses what reserves and provisions need to be held for past and unknown events which may impact on the Council's resources.

This document will ensure that the budget is prepared in line with strategic aims, the Wirral Plan and Council priorities, covering a period of five years 2022-2027. It demonstrates the pressures in balancing the budget and what budget gap the Council must address whilst identifying sustainable and alternative sources of income. It also provides information on the Council's asset management programme.

It is clear that services in their current form are unaffordable and will need to change.

1. Executive Summary

Key Principles of the Medium-Term Financial Strategy:

The Council will:

1. Set fees and charges commensurate with a going market rate for the services we provide and make concessions available for vulnerable groups.
2. Set spending levels for services not higher than the Metropolitan average to ensure we can demonstrate value for money for resident funding, unless there are exceptional circumstances.
3. Ensure a digital first approach and review all services to ensure we are making full and immediate use of digital capacity an automation.
4. Ensure that our non-statutory services are not subsidised at the detriment of statutory services, unless an evidenced return on investment is demonstrated.
5. Ensure our establishment is at the required level for the services we need to provide and where it needs to be reduced, we will attempt to redeploy staff or provide opportunities for staff to exit the organisation voluntarily before making any compulsory redundancies.
6. Only allocate resources to the themes in the Wirral Plan and where beneficial outcomes can be evidenced.
7. Provide opportunities for communities to engage in where we allocate our resources whilst being clear and realistic about affordability.
8. Consider a range of delivery mechanisms for providing services appropriate to the most beneficial outcomes for communities.
9. Aim to promote and stimulate strong and sustainable growth to generate future income flows.
10. Support trusted partners by leveraging external funding and, within risk-based controls, use the councils covenant strength to enable regeneration.
11. Within 2 years build up and maintain its general fund balances at 5% of its net revenue budget and will maintain a suite of earmarked reserves that will be used for specific projects to support the key priorities and safeguard against financial risk.
12. Not use any one-off Council funding to underpin the revenue budget.
13. Recognise the impact of council tax increases on the public and consider this alongside the annual budget setting process.
14. Ensure that expenditure is contained within the budget envelope and where unforeseen circumstances result in a risk that expenditure will exceed the budget envelope, produce immediate plans to bring it back in line.

1.1 Developing a financially sustainable strategy

Wirral Council faces significant financial resilience challenges including the need to bridge an emerging structural deficit in the face of continuing operational pressures. This structural deficit will challenge the Council, its members and officers in achieving the deliverability of its strategies including the outcomes from the Wirral Plan. A structural deficit is a natural inbuilt negative imbalance between income and expenditure that requires to be equalised through a strategic response by way of a recalibration of spend and income. Typically, this can exist over a period of time through additional cost pressures and/or funding reductions arising in real terms.

The leadership team, statutory officers and the Chief Executive are aware how difficult it can be facing the reality of difficult decisions. Members will be provided with honest and well-informed facts. We will provide advice to members to ensure they are fully aware of the difficulties we are facing and the risks surrounding financial sustainability.

I acknowledge that all of this brings implications to our residents and business across the borough, and I will look to minimise any impact on statutory services were possible.

Critical to this approach is the delivery of clear and accurate information and advice that will help enable members to make the optimal decisions that will secure financial sustainability.

Members through the service committees and ultimately to a finance sub-committee of the Policy and Resources will prioritise the delivery of essential services, balance the budget and work to achieve cross party consensus in their decision making to ensure our residents welfare is at the fore of these decisions, in parallel and fully consistent with, the financial and operational future sustainability of the Council.

The MTFS strategy continues to be a challenging endeavour. Population growth and inflation causes costs to increase over time, but in a largely predictable way, however, the impact of COVID-19 has presented an unprecedented impact on the Council's operations with long-lasting affects anticipated. Net Council spend has increased and with no medium to long term settlements from government having occurred in recent years. The announcement that a multi-year settlement will be in place for 2022/23 onwards clearly is positive in allowing the Council to plan.

Irrespective of the difficulties being faced, strategic planning is required to develop Council policies and areas for improvement and provides the framework for budget provision. The aim of the medium-term financial strategy (MTFS) is to consolidate factors affecting the financial position and financial sustainability of the Council across the medium term, providing the basis for sound decision making.

This strategy is estimating growth in local housing in line with the local plan as required by Government. To ensure we do not over rely on the growth in housing to support budgets a prudent approach to the levels of new housing in the borough has been taken and reflected in the increase in Council Tax.

The medium-term financial plans as set out in section 8 current show that we are facing a budget gap for each year to 2027. A number of saving and pressures are being reviewed by members with the support of officers to agree what can be achieved. The latest position at the time of writing, subject to member decisions and the consultation, is showing the following.

Financial Years	22-23 (£m)	23-24 (£m)	24-25 (£m)	25-26 (£m)	26-27 (£m)
INITIAL REVENUE BUDGET REQUIREMENT	**329.40**	**343.15**	**341.34**	**344.08**	**345.78**
Removal of one-off items from 21/22:	-6.55	0.00	0.00	0.00	0.00
Pressures to be approved:	31.65	11.66	11.78	11.67	11.70
Savings to be approved:	-11.34	-13.47	-9.04	-9.96	-4.38
REVISED REVENUE BUDGET REQUIRMENT	**343.15**	**341.34**	**344.08**	**345.78**	**353.10**
FUNDING	**-317.94**	**-319.23**	**-330.40**	**-338.40**	**-346.77**
BUDGET GAP before saving and pressures above	**4.91**	**23.92**	**10.94**	**5.68**	**-0.99**
BUDGET GAP to be closed if saving and pressures approved	**25.21**	**22.11**	**13.68**	**7.38**	**6.33**

It is important at this stage to note that we are still awaiting information on the financial settlement central government on funding. Members are to approve recommended saving and pressures and further identify further saving to balance the budget.

1.2 Wirral Plan and MTFS

The Wirral plan has been produced against a backdrop of the ongoing COVID-19 pandemic and it would be remiss of us not to highlight the tragic impact that the last year has had across our Borough. Families have lost loved ones; businesses have struggled, and jobs have been lost. Many people have struggled financially, mentally and in lots of other ways. The pandemic has highlighted long-standing issues and inequalities that must be tackled to ensure that every neighbourhood and every community across the Borough benefits from the recovery to come.

As a Borough we will support each other and be a better Borough for all.

We've seen communities showing strength and determination not to let people down by coming together, families. The Wirral plan was already working to do this before the Pandemic and now this has strengthened that Plan.

The Council has adapted its services to meet this challenge, it has exposed existing unacceptable socio-economic and health inequalities in our Borough, which with the MTFS and Wirral Plan we will tackle.

The Wirral Plan and the MTFS will ensure that we:

- Have the health of our residents is at the heart of what we do
- Our Children are a priority to us
- We will make Wirral a place people are proud to live
- We will tackle inequalities

- We will safeguard and make our communities pleasant places to live
- We will build a sustainable environment

To do this the strategic planning requires recognition of the financial, operational and societal context being faced by the Council now and likely to be faced in the future. Wirral is the second largest Council in the Liverpool City Region, with a population of 322,796. Our gross spending is expected to exceed £605.65m in 2022/23 and this includes capital spending and costs funded direct from government grants such as Dedicated Schools Grant. Net spending for 2022/23 (that which is funded from Council Tax, Business Rates and un-ringfenced government grants) is approximately £343.15m.

Before the impact of COVID-19 it was already clear that the Council would have to make changes to the way services are delivered as large financial gaps were evident in the Medium-Term Financial Strategy (MTFS) 2021 to 2026. In producing the MTFS for 2022 to 2027 the Council's focus is on financial sustainability and growth in reserves, the implementation of recovery plans and the use of local resources to address demand for services,

COVID-19 continues to have a significant impact on the Council, Wirral residents and businesses. The challenging and dynamic situation saw rapid adaptation and the need to take significant and immediate decisions on a day-by-day basis in an unprecedented context.

This included the continued delivery of many local services, and the identification of which services should pause without negatively impacting the community – enabling the redeployment of staff and prioritisation of resources. Large numbers of staff started working from home, other critical and frontline workers were not able to do so - they quickly established how to continue their roles under strict social distancing rules. Members of the community started shielding, needing additional support. Managers had to swiftly adapt to leading 'blended' virtual teams and to respond to huge volumes of (regularly updating) government guidance.

Our workforce has played an important role in the response to, and recovery from, the pandemic, learning new skills and developing new capabilities to keep our communities safe. There remains an appetite to do more than just recover, and that is to renew, much has been learnt during this time that needs to be reflected upon and given due consideration. Returning to a pre-COVID state is not going to be the reality for most.

We must also recognise that the challenges to our communities continue, and we must plan how we will continue to support our residents and businesses as we learn to live with Covid. With fluctuating and increasing levels of infection, our continued response will remain critical to controlling the spread and impact of COVID, as well as the longer term affect to health inequalities.

Whilst financial support has been provided to the Council, the challenges to the borough continue to exceed the additional investment provided.

1.3 Medium term financial pressures

The Change Programme and new operating model are one element key to managing the pressures set out below and the need to release cashable saving in the short term needs to ensure they are both aligned.

Of the Council's net budget circa 61% is allocated to providing support for services to Adults and Children based services, which are demand-led and becoming increasingly complex. The delivery of the Local Plan brings significant increases in new homes and businesses along with additional challenges for our key services such as increased waste collection and disposal and highway maintenance, which will all increase pressure on finances, whilst bringing about opportunities for growth in services and businesses in the borough.

Further financial pressure is presented from inflation in the Council's contracts and pay costs, which must be managed through efficiencies, savings and income streams.

Approximately 51.5% of the Council's net budget is funded from local taxation which is significant when compared to central government support of 20.9%. Current predictions are that funding settlements from the Government seem highly unlikely to reverse this position. Growth in demand for services must therefore be largely funded locally, and this creates a requirement to continue to increase council tax levels in line with government provisions. In recent years, the Council has increased council tax to specifically fund the pressures in Adults' and Children's Social Care to help keep up with the demand in these vital services, which is expected to continue.

1.4 Creating stability

To provide the best opportunity to deliver the Wirral Plan, and manage the ambitions of the area, the Medium-Term Financial Strategy reflects a structural deficit which will, through the Wirral Plan and key principles of this strategy, generate year on year a balanced position.

There are risks associated with the deliverability of the Wirral Plan and the pressures of achieving a balanced budget year on year. This is being monitored and the implications of any adverse impacts on the Wirral Plan due to reductions in revenue spending are being observed.

The key components of the MTFS are:

- Ensuring we deliver cost-effective service provision that, through efficient development and management, will achieve value for money for residents. Reducing inefficiencies is the primary approach to balancing the financial position, whilst incorporating consultation responses to inform priority areas of spend.
- Addressing increasing demand, particularly within social care, through management of associated budgets which is supported by the utilisation of technological improvements.
- Council tax will increase in line with provision made by government and any permitted precept increase in Adult Social Care to be borne by the council taxpayer will be maximised.
- The Council Tax Support Scheme will be utilised to protect families on low incomes from council tax increases.
- Inflation pressures relating to pay, contracts and demand for services of circa £32m will be managed through the annual budget setting cycle.
- Expenditure will increase in front-line services to reflect demand from local people and businesses.
- Efficiencies and savings required over the medium term will be rigorously managed and monitored in directorate budgets and the impact on operations and workforce managed accordingly
- Economic recovery will be supported through continued investment on development and regeneration activities via the use of external funding, capitalising salaries and flexible use of capital receipts.
- Reserves will be increased to provide enhanced financial resilience.

1.5 Material financial changes from 2021/22

Although subject to further change at the final Local Government Finance Settlement, funding is currently estimated to be £317.94m and this change of £11.48m from 2021/22 is as follows:

- Growth in Council Tax base plus inflation (+£3.69m)
- Social care precept (+£1.6m)
- Decrease in New Homes Bonus (-£0.13m)
- Business Rates (+£0.87m)
- Decrease in Covid funding (-£9.80m)
- Decrease Exceptional Financial Support (-£10.7m)
- Capital Receipts (+£2.53m)
- Council Tax Collection Fund Contribution to deficit (-£3.04m)
- Local Government Support Grant (+£2.56m)
- NI Levy (+£1.44m)
- Lower tier funding decrease (-£0.5m)

Net expenditure is estimated to increase by £13.75m from the 2021/22 base across each of the Council's Directorates, after identified (but not approved) savings and pressures are approved. This still leaves a budget gap.

1.6 Capital budget

The estimated next five years of capital programme includes investment plans of approximately £159m. Funding is made available through a mix of grants, contributions from other external partners and Council resources.

The forecast funding sources to 2026/27 are:

- Government grants (£62m / 40%)
- Borrowing, capital receipts or revenue contributions (£96.55m / 60.8%)

Expenditure is estimated in the following areas:

- Adult Care & Health – Schemes include Extra care Housing and Telecare & telehealth Ecosystem.
- Children, Families & Education – Schemes include School Condition/Modernisation, School Place Planning, Basic Needs & High Needs Capital provision.
- Neighbourhoods - Funding allocated to West Kirby Flood Alleviation, Parks Machinery & Vehicles, Combined Authority Transport Plan and Urban Tree Challenge.
- Regeneration & Place – planned projects include Future High Streets – Birkenhead, Maritime Knowledge Hub, Building Health & Safety and Future High Street – New Ferry.

- Resources – approved schemes include Enterprise Resource Planning System and Customer Experience Improvement Project.

In addition to these known investment plans, a number of further schemes, with an estimated expenditure of £30m, are included with the forecast programme; these projects will only commence on completion of detailed business cases, requisite approval and when funding for these projects is secured and confirmed.

New capital requests should be prioritised for schemes relating to the following:

- Essential Health and Safety/Disability Discrimination Act schemes.
- Invest to save schemes, including those developed with the intention of avoiding future cost pressures.
- Those considered to be of a strategic nature, as agreed with the Investment and Change Board.
- Those that support the Council's Climate Emergency Action Plan following the declaration of a Climate Emergency by the Council in May 2019
- Schemes that reflect Council priorities that could have wider economic benefits, benefits for the community or wider benefits that link in with the Wirral Plan.

1.7 Reserves

The Council holds the third lowest of all Councils general fund reserves in the Liverpool City Region as funding has been utilised to support and maintain services in recent years. Reserves are retained to enable the Council to ensure it can protect the financial sustainability of the Council, should any unforeseen circumstances with a financial impact arise. The approach to increase general fund reserves (General Fund and Earmarked Reserves) at a level of 5% of its net revenue budget over the period of the MTFS, is a key component of the MTFS. In 2021 as part of the external audit, the auditor's opinion commented on the insufficiency of reserves, and this approach seeks to remedy this.

The Council is planning to uplift reserves over the medium term for several main purposes:

- General reserves will be held to manage in-year risks and opportunities across the medium term, they will be increased in the next annual budget cycle and continue to increase over the medium term to provide financial resilience in recognition of the fact that forecasts in later years may be subject to change.
- Earmarked Reserves will facilitate proactive management of the Capital Programme and the Collection Fund and reduce annual impact of risks associated with them.
- Earmarked Reserves will be used to support service development and modernisation during the life of the MTFS, allowing the smoothing of costs across years.

Council reserve strategy provides more detail of the reasons for holding General Fund and Earmarked Reserves at these levels, including expected increases in future years.

1.8 How the Council responds to its residents/communities/businesses

The annual budget process and subsequent report reflects the Council's ongoing commitment to transparency, engagement and consultation.

The consultation process demonstrates that we have listened and learned from residents and stakeholders through consultations and feedback, taken into account their views and prioritised our funding aligned to the Wirral Plan. The stakeholder engagement process included:

- An appropriate timescale that supported the development and sharing of draft Budget ideas. Regular elected Member involvement through workshops, meetings and briefings.
- Stakeholder engagement to gather feedback.
  Effective internal challenge processes including staff and trade union briefings.

1.9 Local Government Finance Settlement

The final Local Government Finance Settlement is expected to be published around the 15th December 2021. Once the details are released the impact on Wirral will be analysed and the Medium-Term Financial Plan will be updated accordingly to ensure that budget proposals take account of the impact, by replacing assumptions with known information.

1.10 Improvements

The Medium-Term Financial Strategy also includes a plan to review and improve the way the council delivers its services including proposed reviews of the council's estate, improving customer services and increasing income. Furthermore, the Treasury Management Strategy, Capital Strategy, Investment Strategy and Reserves Strategy, provide a framework to support achievement of the Corporate Plan by:

- Investing to achieve financial returns
- Investment in Wirral Waters and Birkenhead District including other areas of the Borough to provide improved living and working environments.
- Providing opportunities for commercial development that supports outcomes and provides financial returns.
- Maintaining adequate reserves to manage financial risks and prevent short term deficits.
- Ensure it has an appropriate approach to borrowing.

The combination of the strategies provides longer term financial stability, whilst also allowing the Council to react to market conditions and maintain a balanced approach to managing investment opportunities and risks. The

Council continues to review the arrangements in relation to the Council's wholly owned companies to ensure they deliver the maximum benefit to the Council and the Borough.

2. Objectives, Principles and Assumptions

The Council, as part of setting the MTFS and budgeting principles, has set out its principles and key objectives which ensure we build a financially robust, longer-term sustainable financial position for the Council to then go forward and deliver its policies alongside the Wirral Plan.

These principles and objectives have been laid before members and are the underlying drivers to ensuring that an appropriate budget can be set and will remain balanced.

2.1 Objectives

1. To produce a balanced budget and MTFP.
2. To prioritise statutory services and objectives in line with Wirral Plan.
3. Where non-statutory services are not supporting statutory services. these will be delivered only where there is no net cost to the Council.
4. Strengthen our reserves to ensure we have funds for the future to support the Wirral Plan.
5. Strengthen our approach to corporate risk.

2.2 Principles

1. Set fees and charges commensurate with a going market rate for the services we provide and make concessions available for vulnerable groups.
2. Set spending levels for services not higher than the Metropolitan average to ensure we can demonstrate value for money for resident funding, unless there are exceptional circumstances.
3. Ensure a digital first approach and review all services to ensure we are making full and immediate use of digital capacity an automation.
4. Ensure that our non-statutory services are not subsidised at the detriment of statutory services, unless an evidenced return on investment is demonstrated.
5. Ensure our establishment is at the required level for the services we need to provide and where it needs to be reduced, we will attempt to redeploy staff or provide opportunities for staff to exit the organisation voluntarily before making any compulsory redundancies.
6. Only allocate resources to the themes in the Wirral Plan and where beneficial outcomes can be evidenced.
7. Provide opportunities for communities to engage in where we allocate our resources whilst being clear and realistic about affordability.
8. Consider a range of delivery mechanisms for providing services appropriate to the most beneficial outcomes for communities.
9. Aim to promote and stimulate strong and sustainable growth to generate future income flows.

10. Support trusted partners by leveraging external funding and, within risk-based controls, use the councils covenant strength to enable regeneration.
11. Within 2 years build up and maintain its general fund balances at 5% of its net revenue budget and will maintain a suite of earmarked reserves that will be used for specific projects to support the key priorities and safeguard against financial risk.
12. Not use any one-off Council funding to underpin the revenue budget.
13. Recognise the impact of council tax increases on the public and consider this alongside the annual budget setting process.
14. Ensure that expenditure is contained within the budget envelope and where unforeseen circumstances result in a risk that expenditure will exceed the budget envelope, produce immediate plans to bring it back in line.

2.3 Assumptions

The table below summaries the key assumptions in the development of the MTFP. Note negative figures are a reduction.

Description	2022/23	2023/24	2024/25	2025/26	2026/27
Council tax inflation %	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care Precept %	1.00%	1.00%	1.00%	1.00%	1.00%
Council tax growth - volume (Band D equivalents)	348	221.33	292.67	359.33	307.33
Collection fund short fall (£m)	3.04	0.46	-4.49	0.00	0.00
New homes bonus %	-59%	-100%	0%	0%	0%
Social Care Support Grant (£m)	0.00	0.00	0.00	0.00	0.00
Inflation index (CPI) on budgets %	0% (excluding contract specific inflation)				
Inflation index (RPI) on budgets %	0% (excluding contract specific inflation)				
Pay award %	2%	2%	2%	2%	2%
Pension Contribution incremental increase %	0	0	0	0	0
Past service costs %	0	0	0	0	0
Investment rates %	0.75%	1.00%	1.25%	1.50%	1.75%
Borrowing Long Term (avg) %	4.29%	4.04%	4.05%	4.10%	4.06%
Borrowing Short Term (avg) %	0.50%	0.75%	1.00%	1.25%	1.50%

3. What is the Medium-Term Financial Strategy?

3.1 The MTFS is intended to provide a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which Wirral Council's services can operate. It sets out a broad framework for the Council's future budget and a proposed approach to budget planning. The Council is facing a challenging financial future. Setting budgets will be challenging and will require tough choices to be assessed and difficult decisions to be made. This is not specific to Wirral, as all other Council's across the country are assessing the services they provide to ensure that only functions that generate the most beneficial outcomes are resourced. In the period 2022-2027, the Council faces continued financial constraints alongside opportunities and uncertainties in respect of the Government's levelling-up agenda.

3.2 The Council is striving to deliver the best for residents against a background of challenging circumstances inclusive of uncertainty and additional financial pressures. A balance is required to manage the impact of short-term decisions with the financial envelope and make choices which are both sustainable and balanced across the borough. The MTFP must be achievable through recognising and managing future pressures and how the council will redesign to a new model of operation to ensure its objectives can be achieved.

3.3 This strategy supports the delivery of the Wirral Plan 2021-26 It shows how our finances will be structured and managed to ensure that they meet future financial challenges, as well as supporting delivery of our strategic priorities across the borough. Each year there is the short-term requirement to prepare an annual Budget and set the Council Tax. The achievement of Wirral Council's long-term objectives however, with the planning of new initiatives, capital developments and the allocation of resources in Wirral Plan priorities and changing service needs, requires service and financial planning to be undertaken over more than one year, via a strategic framework.

STRATEGIC FRAMEWORK

UNDERPINNING ACTIVITIES

- MTFS
- Strategic Recovery
- Change Programme

Wirral Plan
Provides the high level priorities for Wirral over the next 5 years.

Annual Business Plan
The Council's delivery plan – outlining key priorities and setting delivery standards/ objectives.

Delivery Plans
Based on the themes of the Wirral Plan, these individual set of plans set out the finer delivery detail of the Corporate Pan objectives.

Directorate Plans

Performance Management Framework

Cross Cutting Strategies

1. Local Plan 2021 – 2037
2. Health Inequalities Strategy
3. Healthy Wirral Plan
4. Prevention & Early Intervention Programme
5. Community Wealth Building
6. Economic Strategy
7. Affordable Housing Plan
8. Homelessness & Rough Sleeping Plan
9. Active Travel Strategy
10. Neighbourhoods Model
11. Climate Emergency Plan
12. Digital Strategy
13. Community Safety Strategy

Governance

Operational Performance Board

- Monitors delivery of the Wirral Plan
- Reviews Directorate performance
- Oversees revenue budget monitoring
- Reviews progress against efficiency targets and in-year budget options

Investment & Change Board

- Reviews business cases for new projects/ investment
- Monitors progress against delivery of change projects
- Oversees major investments
- Reviews performance of the capital programme

3.4 The MTFS looks to take into account the longer-term implications of the following:

- Creating a financially sustainable medium to long-term future;
- Income - forecast future income levels;
- Expenditure - forecast service pressures as a result of the impact of demographic and other changes on service demands;
- Align the Wirral Plan, MTFS and other strategies to maximise the effectiveness of the financial resources available fairly across the borough;
- Planning- provide a financial framework within which business planning can proceed effectively; and
- Prioritise statutory services.

In addition to the Budget the major strategy documents supporting the MTFS are:

- The Wirral Plan 2026.
- The Annual Business Plan (available November 2021)
- Capital Strategy including the capital programme.
- Asset Management Strategy.
- Treasury Management Strategy.

Appendix 6 includes links to other strategies for information purposes.

3.5 The Wirral Plan 2026: a Plan for the Borough

We are working across the Wirral Partnership about the future joint priorities to deliver the Wirral Plan. The Council and our partners agree that we can only achieve our goals by working together, and that the Partnership has a unique strategic role in shaping Wirral as a place.

Our partners are working with us and have a strong appetite across the public, private and voluntary sectors for a shared strategic plan that supports collective ambitions. To ensure we get the best value of money, the services required for our residents and businesses, we continue to review our Partnership arrangements to ensure that we further build on our excellent partnerships and networks to support delivery the Wirral Plan. The delivery plan is a live document that can be updated as and when necessary, to ensure that The Wirral Plan 2021-26 remains agile and is ready to respond to challenges and opportunities as they arise.

Wirral's Partnership arrangements are also being reviewed to reflect national changes for NHS reforms. This includes proposals for local Integrated Care Partnerships Systems and Partnerships (ICS and ICPs) from April 2022, as part of the Health and Care Bill.

New Partnership arrangements will support delivery of the Wirral Plan and provide strategic vision, shared leadership and coordination of local networks in order to improve Wirral and the population health outcomes of its residents in line with the Health and Care Bill requirements. This sets out two key components to enable Integrated Care Systems to deliver their core purpose, including:

- strong place-based partnerships between the NHS, local councils and voluntary organisations, local residents, people who access services, leading the detailed design and delivery of integrated services within specific localities, incorporating a number of neighbourhoods; and
- provider collaboratives, bringing NHS providers together, working with clinical networks and alliances and other partners, to secure the benefits of working at scale.

Integrated Care Systems will play a critical role in aligning action between partners to achieve their shared purpose, to improve outcomes and tackle inequalities, to enhance productivity and make best use of resources and to strengthen local communities, with four aims to:

- improve outcomes in population health and healthcare.
- tackle inequalities in outcomes, experience and access.
- enhance productivity and value for money.
- help the NHS support broader social and economic development.

New Partnership arrangements to support delivery of the Wirral Plan with have a stronger Place-based focus. This will help to better align our collective resources more efficiently, including commissioning of NHS and local government services around shared objectives and outcomes, involving relevant partners, people and communities. The Council and local NHS organisations will work in partnership to develop measures of success for Wirral's Integrated Care Partnership, so that the local system can track the benefits to be achieved from implementing the new legislation and policy guidance creating new ways of working.

3.6 Annual Delivery of Plans and MTFS

These set out how the Wirral Plan will be delivered through a range of strategies and supporting actions. The Business Plans set out how financial resources will be aligned to deliver the Wirral Plan priorities.

4. Report from Director of Resources and Section 151 Officer

4.1 Under Section 25(1) of the Local Government Act 2003, I am required to report on the robustness of the estimates in the budget and the adequacy of the proposed reserves. The Council must have regard to this report when making decisions in respect of the budget. The financial impact of COVID-19 has been significant. In May 2020 the initial financial forecasts presented a significant concern to the Council, when estimates identified a shortfall between the costs of responding to the pandemic locally and the level of resources and reserves available. This concern was raised with members, and suitable reassurances were required from MHCLG that this was being addressed, but significant risk still remains.

4.2 The Council worked with the Local Government Association, Liverpool City Region and other partners to liaise with government departments on the additional costs and lost income linked to responding to and recovering from the pandemic. The Government responded with varied funding support packages and guidance and importantly the successful support through the capitalisation directive for the years 2020 to 2022.

4.3 Throughout the crisis the Council has put the safety of people first and worked closely with communities, service providers and businesses to ensure that recovery from the pandemic can be effective.

Financial support from Government in relation to COVID-19 continues, but by August 2021 it already totalled commitments in excess of £261m.

- £166.9m Passported to businesses, residents and communities in the borough
- £75.2m Council utilised to support vital services, protect residents and communities
- Partially passported £18.8m to businesses, communities and utilised by the Council

This is provided in the form of reliefs and grants for local businesses, support for care homes, vulnerable people, and those on low incomes in the community. Additional support has been provided to the Council in respect of its income losses through the Sales, Fees and Charges compensation (SFC) grant, and additional expenditure relating to managing the outbreak.

4.4 This response has alleviated the position where resources were initially absent. The full financial impact of COVID-19 is expected to be felt for many years, and a more sustainable level of services and funding must be established. Members should continue to be alerted to the fact that the MTFS 2022 to 2027 recognises that COVID-19 related costs may require local funding. In each of these areas the Council will be required to use Earmarked Reserves exclusively for the purpose they are earmarked to manage the impact over time, and not to fund budget gaps which is of course not sustainable.

4.5 Robust Estimates

The process to produce the Council's Medium-Term Financial Strategy for 2022 to 2027 engaged a wide array of stakeholders throughout 2021/22. This process included workshops and meetings with elected members and staff of the authority, alongside engagement with businesses and partners through consultation.

All material changes proposed for the 2022/23 budget are backed with appropriate business cases and equality impact assessments where appropriate.

The MTFS and MTFP is impacted by the financial performance of the Council's balance sheet, forecasted revenue, capital positions and performance within the 2021/22 financial year, which continues to be extremely challenging to predict during the recovery stages of the COVID-19 pandemic.

The areas identifying significant financial pressures include Adult Social Care costs, Childrens' services, waste levy costs, Merseytravel levy, cost of capital borrowing.

4.6 The adequacy of reserves is set out in the Reserves Strategy; this provides information on the impact of the MTFS on the Council's reserves. In considering the reduction over previous years in respect of reserves held and the subsequent determination to build reserves in the future we have worked with CIPFA to identify approaches whilst protecting our essential services.

It remains clear that Wirral's useable reserves (Earmarked and General Fund) have been low compared to other similar authorities at only 18.7% of the net revenue budget at 31 March 2021 (excluding Covid reserves). A key priority of the Council is to build up resilience in its reserves and have a clear strategy that supports this strengthening.

4.7 Achieving spending in line with the 2021/22 budget will not increase the risks associated with relatively low reserve balances, but the aim is to reduce those risks by increasing reserves over a number of years. Any overspending would have a direct impact on reserves unless underspends elsewhere could be utilised subject to appropriate approval. Eliminating overspending on services is essential to the management of the MTFS.

4.8 General Fund reserves are due to increase if savings and pressures are achieved over the next five years to £17.3m, which will be 5% of the estimated net budget by 2026/27. This is reflective of the annual budget position whilst recognising that forecast spending in later years of the MTFS may be subject to change, based on new/emerging information. This revised level of reserve funding is still considered low and needs to be further built up to provide robust financial protection for the future amidst uncertainties and potential material financial impactful situations not directly planned for.

4.9 Earmarked reserves will be required during the next five years to support operations including the Capital programme and Collection Fund. This approach is strategic, but ultimately not sustainable in the long-term. It reflects potential year-on-year variations that can occur in these budgets without incurring the potential negative impacts on services in one year which may be unnecessary in another. Capital Receipts will also be used to support one-off transformation activity in line with government guidance. This is confirmed, and not speculative, but again is a clear indication that one-off funding will be used to sustain the MTFS, however this is to be minimised wherever possible.

4.10 Reserves levels are to provide financial sustainability within this five-year strategy, with a recognition that there is virtually no scope for variation on savings plans without alternative matching proposals coming forward to retain the balanced position.

Group Companies

4.11 The Council group structure and the companies that are operational are monitored through a number of structured boards. The viability of these companies is regularly assessed, and any support is provided based on sound evidence. Members and Officers sit on these boards and members are provided with all the relevant information to allow them to make informed decisions. External advice on complex structures is taken as required to minimise the risk to the Council and its reserves.

Continued Improvements

4.12 The development of the new operating model and the developments through the change programme need a more stable member and officer platform to ensure they are delivered. A proposed change in the electoral cycle would significantly help in the decision making of members and save on finance resources whilst changing how services are delivered.

4.13 Conclusion

The involvement of members and officers in this planning process and their determination to develop appropriate and workable budget proposals continues. I can report that the proposed financial plan presents a robust set of forecasts, subject to the achievement of financial proposals that have been identified by the services.

Based on my assessment of the risks the Council is able to articulate at this point in time, I am satisfied that the Reserves Strategy presents an appropriate growth position to ensure we are able to manage risks as part of a Medium-Term Financial Strategy. To ensure compliance to the Financial Management Code a longer-term approach will be guided by a robust rolling financial resilience assessment.

I will monitor the impact of the closure of the 2021/22 financial year, and review in-year performance, to inform timely updates over the medium term.

Shaer Halewood
Director of Resources and Section 151 Officer

5. Delivery of the Wirral Plan

The Council is striving to deliver the best for residents against a background of challenging circumstances of uncertainty and additional financial pressures. Choices will be available and difficult decisions will have to be made as part of budget setting and the delivery of the Medium-Term Financial Strategy (MTFS); balancing the impact of short-term decisions in order to align to the financial sustainability of the Council will be key in this process.

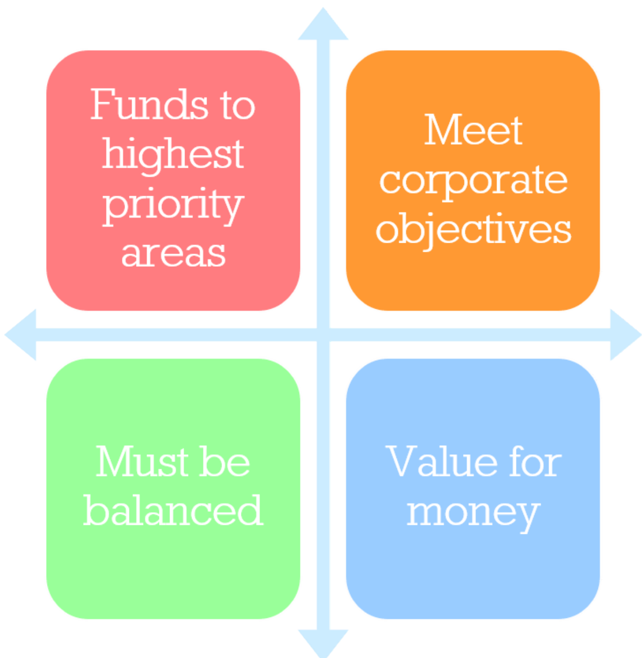
The purpose of the MTFS is to ensure that the Council's available resources are prioritised to the areas of highest need to ensure, amongst other things, that:

- Vulnerable residents can be supported.
- These resources are aligned to the Wirral Plan to enable strategic borough and corporate objectives and priorities to be met.
- Value for money is delivered for the services we provide.
- Financial sustainability is in place via a balanced budget year on year.

The ambitions described in the Wirral Plan 2026 are the things we will deliver to make this borough a better, fairer, more prosperous place for everyone who lives here. They are about creating jobs, improving services and making public money work harder for public benefit and community wealth

Financial Sustainability

The Wirral Plan needs to ensure that the MTFS is achievable and capable of managing future pressures.



The vision for the Wirral Plan is based on high level thematic priorities, focus on changes for whole population groups, and can only be delivered by working with partners locally and regionally. The Plan on the next page sets out what we want to achieve this.

WIRRAL PLAN 2021 – 2026

EQUITY FOR PEOPLE AND PLACE

To create equity for people and place and opportunities for all to secure best possible future for our residents, communities and businesses.

Brighter Futures	Inclusive Economy	Sustainable Environment	Safe & Pleasant Communities	Active & Healthy Lives
AIMS				
• Break the cycle of poor outcomes. • Reduce educational attainment inequalities. • Raise the aspirations of all our children and young people.	• Deliver regeneration, transport and growth ambitions. • Create Community Wealth/Social Value. • Create jobs and support local businesses. • Develop quality, affordable and sustainable homes. • Prevent and relieve homelessness	• Respond to the Climate Change emergency. • Protect our cherished local environment. • Improve street cleanliness. • Support and promote active travel networks.	• Work with partner agencies to reduce crime and tackle anti-social behaviour. • Tackle rough sleeping and homelessness. • Deliver everyday neighbourhoods services to the best possible standard.	• Work with partner agencies to improve mental wellbeing. • Encourage active living. • Support people to live independently. • Deliver public health services and actions to improve wider determinants of health. • Tackle health inequalities.
DELIVERABLES				
• Develop a prevention programme. • Deliver the Transformational Partnership Accommodation Strategy. • Build the 'early help and intervention' offer. • Deliver the School Asset and Sufficiency Strategy. • Deliver the SEND Strategy.	• Deliver the Local Plan. • Deliver the Economic Strategy 2026. • Deliver the Birkenhead 2040 Framework. • Deliver regeneration enabling strategies. • Deliver transport strategies and regen/ active travel projects. • Deliver the Community Wealth Building Strategy. • Deliver the Homelessness Strategy	• Deliver the Climate Emergency Action Plan and Cool Wirral 2 Strategy. • Progress the major LED replacement scheme. • Implementation of major capital infrastructure investment which supports Wirral Highways and Infrastructure. • Deliver the Cycling and Walking Programme.	• Deliver the DRIVE programme. • Begin design of new Neighbourhoods model • Deliver the new libraries model and strategy. • Deliver new Sports and Physical Activities Strategy. • Deliver the Community Safety Strategy. • Ensure Culture and Learning is embedded in the heart of communities.	• Lead the strategic and operational Outbreak Management Plan. • Launch the Health Inequalities Strategy. • Develop a new leisure offer. • Develop a new adult social care model. • Deliver against the Prevention programme.
PERFORMANCE MEASURES				
• Increase in children making expected progress educationally. • A closing gap in educational achievement. • Increase in children ready for school. • Decrease in rate of looked after children in Wirral. • Children in Need rate per 10,000 0-17 population. • Increased success of the early intervention family programme.	• Value of investments secured • Hectares of Brownfield Land remediated/ regenerated. • Number of jobs created and safeguarded. • Claimant Count (reduction) • Business Count (increase) • No. of affordable homes delivered. • Reduction in those living in temporary accommodation.	• Increased recycling • Reduce the overall collected general waste (non-recycling) per household • Increase energy efficiency in Council owned buildings • Improved biodiversity, through tree planting, rewilding and natural regeneration. • Increase in active travel, including walking and cycling. • Improve ratings for our designated nature sites	• Decrease in anti-social behaviour • Reduction in the number of crimes reported to the police • Reduce first time entrants into the Youth Justice System • Reduce the incidents of repeat domestic abuse reporting. • Increased library usage.	• More people are supported to remain independent in their own homes. • Care, health and support services are joined up and responsive. • Fewer admissions to hospital or long term care. • Number of home adaptations completed. • Proportion of residents living in suitable housing. • Increase in people using Council leisure facilities.

CROSS-CUTTING STRATEGIES AND STRATEGIC PROGRAMMES

1. Wirral Local Plan 2020 – 2037 2. Health Inequalities Strategy 3. Healthy Wirral Plan 4. Prevention Programme 5. Community Wealth Building Strategy	6. Economic Strategy 7. Affordable Housing Plan 8. Homelessness Strategy and Rough Sleeping Plan 9. Active Travel Strategy 10. Neighbourhoods Model	11. Climate Emergency Plan 12. Digital Strategy 13. Community Safety Strategy

6. How Services will Change

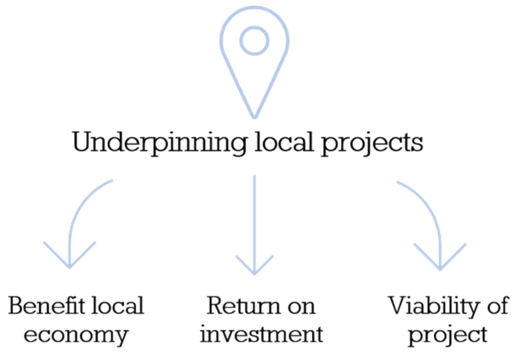
6.1 Inclusive Economy

6.1.1 Wirral is at a turning point for economic growth. Over the last five years, significant progress has been made in positioning Wirral as a place to live, work, visit and invest and we need to maintain this momentum.

6.1.2 Our Regeneration Framework: Birkenhead 2040, will support a transformational regeneration programme along the 'LeftBank' of the River Mersey stretching from New Brighton to Bromborough, with a particular focus on the creation of a sustainable, waterfront urban garden community in Birkenhead. This is one of the largest and most ambitious regeneration programmes in the UK with over £5bn of regeneration projects in the pipeline including the potential to create up to 20,000 new homes over the next 20 years through a radical re-use of neglected and brownfield sites, underpinned by the emerging Local Plan.

6.1.3 At Wirral Waters, we are working with Peel Land and Property on a range of economic projects with a minimum of 3,400 new homes and office developments being developed on brownfield sites by 2037. Further proposals include new cultural facilities and a Modern Methods of Construction facility which seeks to support the delivery of new and retrofitted sustainable housing. The council is also working with Peel to respond to the governments Freeport ambitions, bringing forward new investment land and the delivery of the Maritime Knowledge Hub, reviving a derelict and much-loved historic dock building into a world class innovation facility to drive research and development of new technologies and address skills challenges across the maritime sector and Liverpool City Region Freeport designation.

6.1.4 These programmes will support the transition to a low carbon future and will create skills development and employment opportunities, as well as much needed homes, for local people. Across our high streets we are progressing vital regeneration. Comprehensive projects will realise high-quality, sustainable commercial offices, highly desirable, cutting-edge designs in residential properties, exciting cultural and leisure amenities growth for our cultural and creative sector and bringing forward diversity across the high street. The Council has secured £24.6m through the Future High Streets Fund. The funding will support the delivery of high-quality homes, improved accessibility into the town centre and a new modern facility for Birkenhead Market. A further £25m has been secured through the national Town Deal Programme to further drive forward regeneration in line with key priorities including delivering cultural, education and health & well-being infrastructure.



6.1.5 The Council also recognises the importance regeneration outside our core town centre, progressing projects across the borough including investment of £3.2m to support the renewal of New Ferry. A Liscard Neighbourhood Framework has been developed setting out a new vision for the sustainable future of Liscard, providing a more diverse offer with the community at its core. A Neighbourhood Framework for New Brighton has been commissioned, to harness New Brighton's potential as a special place to live, visit and do business, and to identify potential opportunities for enhancement, and the intention is to develop a Neighbourhood Framework for West Kirby to support its future sustainability.

6.1.6 The size and scale of the regeneration programme will provide future revenue receipts by way of council tax and business rates income but requires a comprehensive restructure of the service in order to provide confidence to investors and funders and ensure there is sufficient skills and capacity to deliver on the level of ambition.

6.1.7 In order to fund the revenue requirements to provide the necessary capacity to deliver the Regeneration programme an exercise is underway to quantify the resource needs over a three-year period, which it is anticipated will be funded from existing revenue budgets and capitalisation of posts within the Directorate.

6.1.8 Alongside our physical regeneration plans, our 2026 Economic Strategy sets out the Council's priorities for inclusive economic growth, supporting the Wirral Plan 2026 and Wirral Local Plan. The Strategy identifies the current challenges and opportunities and sets out the building blocks to secure inclusive growth in the long term, focussing on ensuring local residents and businesses benefit from our wider regeneration plans. The Strategy recognises the impact of the Covid-19 pandemic on Wirral's economy and sets out how we can support resilience going forward.

6.1.9 Our vision for the Economic Strategy is that Wirral will be a highly performing economy, built on the principles of equity, fairness, and inclusivity. We will be widely recognised as an open and collaborative place and celebrated for our green economy and our local resilience. Places throughout the UK are being challenged to come forward with ambitious plans for economic renewal as part of the government's Levelling Up agenda. In parallel the COVID pandemic has shone a brighter light on economic inequalities in society. The concepts of fairness and equality are more important than ever in economic planning. Our Economic Strategy will harness these principles and focus on delivering:

- A Competitive Economy where our competitive advantage is maximised to support the growth of indigenous businesses and attract inward investment
- A Thriving Economy where our diverse places and communities provide an attractive range of live, work and investment opportunities.
- An Inclusive Economy where all residents have access to learning and employment opportunities and where local people benefit from growth.

6.1.10 Supporting schemes to enhance digital and transport connectivity will add to a progressive growth environment which will lead to renewed opportunities for revenue, sustainable jobs and an improved quality of life and long-term prosperity for our communities.

6.1.11 Our economic growth activities will support the delivery of the Wirral Plan and Local Plan priorities through a focus on sustainable approaches to new development; enhancing green infrastructure and active travel routes; creating vibrant mixed-use town centres; delivering hew homes; securing skills development and employment opportunities for local residents; and creating the right environment for indigenous and new businesses to establish, diversify and grow.

6.2 Brighter Futures

6.2.1 The Children's Directorate vision is to make Wirral great for children, young people and families. The priorities being:

- Breaking the cycle
- Culture of inclusion and aspiration
- The best we can be
- Invest in our people

This will be done by listening to children, young people and families and we will aim to:

- Build on the unique personal strengths and resilience of children, families and adults through coordinating and enabling communities and services to help people achieve their very best outcomes throughout their lives (Early help).
- Have a sustainable, modern forward thinking inclusive education offer that grows ambition and underpins prosperity and success in adulthood. Schools will be at the heart of our offer to children, families, and communities. (Education).
- Ensure those who need to be safeguarded are identified early and receive the very best quality support. For children and young people whose families cannot care to be the outstanding parents they deserve. (Social care).
- Deliver through developing our staff and their talent integrated with partners and communities (workforce).
- Drive an effective learning culture by continually reviewing and renewing our services/offer to ensure it is always the most cost effective/best value cutting edge service it can be. (Delivering value for money and future success).

6.2.2 We are continuing on the improvement journey towards being good or outstanding, making schools central to planning and tackling difficult areas that may have been ignored previously, developing the projects that will deliver ground-breaking practice models whilst ensuring our core service models remain safe.

The substantive programmes/actions supporting this and linking to the financial position are:

- Preventive work (breaking the cycle and reducing demand) - a project board is being set-up to review the performance, impact and outcomes of overarching "breaking the cycle" programs. These should contribute to ensuring that families can be supported early and that some demand can be managed within the community.
- Managing costs via our residential accommodation projects - working towards increasing the availability of good quality local provision. A number of projects are progressing including extending an existing council provision; Transforming Care by purchasing and refurbishing a three-bed residential home with capital funding provided by NHS England; and

working with the Liverpool City Region to provide additional residential homes across the region including four homes in Wirral.

- Maximising our income - identifying and bidding for external grants when the requisite outcomes align with the Council's. There has been success in obtaining funding for a number of projects including the Drive, Cradle to Career and Pause programs in addition to capital funding for the residential home.
- Reviewing and renewing our contracts and internal services to achieve best value and ensure that the most cost effective/best value and cutting-edge service is always delivered in addition to using benchmarking to inform strategic direction and monitoring of the services.
- School improvement and sufficiency strategies - these seek to strengthen partnership working and support for schools to drive improvements in the quality of education and education outcomes for children and young people. The School Improvement Strategy articulates a clear vision to develop a self-improving system in which schools support each other, brokered by the local authority to share best practice and implement change. The School Sufficiency Strategies will address surplus in school places whilst also understanding where demand for provision is higher than supply in order to ensure that there is equitable provision so that all children can be educated in their local communities.
- Special Education Needs and Disability (SEND) improvement strategy – this sets the direction and priorities for identifying and meeting needs and improving outcomes for children and young people with SEND. This is a partnership strategy, which drives changes and delivers actions across the local area so that the experiences of children and young people up to the age of 25 improve and they can lead independent and happy lives.

6.3 Sustainable Environment

6.3.1 Climate Emergency

Following the Council's Environment and Climate Emergency Declaration in July 2019. The organisation has been working on the development of a climate emergency action plan and policy, which sets out our ambitions and proposes that the Council as an organisation aims to achieve 'net carbon neutrality by 2030.'

The development of the Council's Environment and Climate Emergency has been supported by third party climate change experts, Local Partnerships, who have confirmed that the Council achieving net carbon neutrality in 10 years is ambitious but possible. Through the Environment and Climate Emergency Action Plan, the Council will lead the way locally and regionally in seeking the to be net zero carbon in 10 years.

The emerging Environment and Climate Emergency Action Plan sets out the Council's journey to becoming carbon emissions neutral within the decade. Many actions have already been undertaken with key aspects of the Action Plan already in place such as the creating the Climate Emergency Team and launching the Tree, Woodland and Hedgerow Strategy earlier this summer.

All aspects of the Council's function, ways of working, decision making, and service delivery will change as the Environment and Climate Emergency Policy and Action Plan are established.

The headline areas for delivery are:

- reduce emissions to net zero;
- carbon reduction policy for new build development set out in the new Local Plan;
- fully informed decision making;
- becoming a carbon literate organisation;
- embrace home working;
- active transport (provision for cycling and walking);
- sustainable ways of operating;
- communication and engagement;
- carbon storage;
- climate resilient Wirral;
- preparing future generations;
- feasibility study for the delivery of a heat network for Birkenhead; and
- measuring progress along the journey.

Already, the new ways of working which have been necessary because of the Covid-19 restrictions have created some unforeseen environmental benefits and opportunities. Many aspects of the way in which the Council works and provides services have fundamentally changed because of Covid-19 restrictions. These provide an opportunity to change the way we operate in the future.

6.4 Safe and Pleasant Communities

6.4.1 The sports and physical activities strategy is aligned to the priorities of the Wirral Plan 2026. The five-year strategy, “creating an Active Wirral, A Sport and Physical Activity Strategy for Wirral”, provides an overview of the collaborative process, needs analysis and strategic priorities required to increase sport and activity levels in the borough to deliver a reduction in health and social inequalities. The vision for the strategy is: To make sport and physical activity part of everyone’s everyday life. The Sport and Physical Activity Strategy will guide and influence both internal teams and external partners. The final strategy will be integrated into the wider Children’s, Adult Social Care and Health agendas, as well as linking into all aspect of the wider Wirral 2026 plan.

6.4.2 In seeking to support the new Wirral 2026 Plan, this strategy, whilst continuing to support and build on the benefits of outdoor space, will place a greater emphasis on inequality and the need to tackle the significant degree of health inequality across our Borough – magnified by the impacts of the Covid-19 pandemic.

6.4.3 A Facilities Master Plan for the Borough which, in turn, informs a Leisure Investment Strategy will provide senior managers and Members with an overview of the high-level capital cost and the revenue impact of an improved facility offer. A consultation of the council’s Playing Pitch Strategy has been commissioned in conjunction with the specific requirements of Sport England, which informs the Playing Pitch Strategy.

6.4.4 It is anticipated that the outcomes and intervention emerging as a result the Library Strategy, public consultation, and subsequent future operating model could result in annual savings. This may include, but is not limited to, rationalisation, reprovisioning and co-location of services, new operating models, lean ways of working, adopting new technologies, energy efficiencies, and new income.

6.4.5 There are plans to introduce food waste recycling in 2023/24. This will involve capital investment and has been built into the capital programme. Volumes of recycling and general household waste have increased since the start of the COVID-19 pandemic. This was due to enforced restrictions meaning residents spent more time at home for extended periods. It is unclear whether this has permanently changed habits, meaning volumes of waste will continue at this level in future. This has resulted in a budget pressure in relation to the waste levy in 2022/23 as this is set by the Merseyside Waste and Recycling Authority based on waste tonnage figures from 2020/21.

6.4.6 The pandemic saw an increase in footfall across parks and coastal areas due to restrictions on travel. This has resulted in a pressure on the waste and cleansing budget over the last 18 months and temporary COVID-19 grants were used to fund this. It is unclear whether demand will return to pre pandemic levels in 2022/23 and there is a risk of increased waste and cleansing costs in future years to meet increased demands.

6.4.7 The Golf Open will return to Wirral in 2023/24 which will encourage tourism and boost the local economy. Plans are underway to prepare for this over the next financial year. Other events will also take place as the Council aims to recover from the effects of the pandemic and seeks to maximise income generating opportunities.

6.4.8 The volunteer programme continues to encourage members of the community to assist in ensuring our parks provide a pleasant and clean environment which everyone can enjoy.

Work on the Tree, Woodland & Hedgerow Strategy will continue, which has an ambitious annual target of 21,000 new trees planted annually for the next 9 years (1 year in to a 10-year planting programme), with money available in the capital programme. This is a challenging target but is on track to be achieved in 2021/22. There is a dedicated team of people working on this area working with partnership agencies to secure grant funding. The Council is also focused on a major tree planting scheme and other biodiversity initiatives, which will create significant carbon capture, supporting the Council's carbon reduction commitment.

A Tree Maintenance team has been established over the last 18 Months. The team continues to work on inspecting trees to ensure they do not pose a risk. The team will continue to face pressures over the medium term as they seek additional income generating opportunities. There is also a risk that demand for the service will increase if diseases such as Ash Die Back to hold in the borough, although there may be some support from Government to replacement trees.

Parks and Environment will also face challenges with funding ongoing contracts in relation to Tree Maintenance and Weed spraying, whilst achieving efficiencies from reviewing how the service is delivered.

6.4.9 The Directorate continues to face challenging in relation to climate emergency. Work will continue to address flooding risks across the borough. A dedicated Climate Emergency team was created in 2020/21 and there is revenue budget available to ensure this team can meet priorities. In addition to this there is £1 million available in the capital programme to ensure the Council achieved the target of net carbon neutrality by 2030.

6.4.10 The Directorate continues to explore imaginative and innovative ways to deliver the service, including the use of recycled materials and the use of digital technology. All of the newly commissioned Highways contracts aim to recycle 100% of any waste materials, which supports the Climate Emergency agenda. Contracts include mechanisms for monitoring waste from highway works and utilising reduced temperature materials is being explored to undertake our resurfacing road work programme; lowering the temperature of these works contributes towards lowering our carbon footprint. We are also exploring new digital methods for our highway condition survey enabling video technology to be used for assessing road conditions.

A key aspect of the improvement agenda in respect of service provision relates to enhancing the monitoring and collection of data, performance measures, customer services and communications messaging, which includes the development of performance dashboards, in order to deliver continuous service improvement through review and action points.

6.4.11 The Directorate is working with Regeneration and Place colleagues on technical approval and design support to help deliver the planned major infrastructure developments which will enable the Wirral Plan themes and overarching objective of equality for people and place to be delivered.

A review of the Council's fleet of vehicles is being undertaken, which will support the climate emergency agenda; the aims of which will be to rationalise operations and deliver an energy efficient approach that lowers the Council's carbon footprint and is more cost effective.

There is a commitment to develop infrastructure for domestic (street level) electric vehicle charging points and a pilot has commenced that utilises streetlighting columns. This pilot will inform the strategy for electric vehicle charging facilities across the borough.

Several modernisation officers and graduates have been appointed, who will work in supporting the Directorate with ongoing projects and implementing the strategies.

6.4.12 An integrated network is being developed that will consolidate CCTV, traffic management and IT services onto a single resilient network. The integrated network will provide both fibre and cellular connectivity and will provide a saving against running individual networks.

6.4.13 Monitoring of the Coroners shared service contract with a view to efficiencies in future years. Delivering a high-quality coroners service for the community and residents of the Wirral.

6.5 Active and Health Lives

6.5.1 Plans have been developed in order to deliver the Wirral Plan Active and Healthy Lives Theme; “Working for happy, active and healthy lives where people are supported, protected and inspired to live independently”.

To this end Adult Care and Health have worked closely with NHS and other Council Directorates to develop a single business plan and commissioning strategy with the aim of jointly commissioning all age health and care services for residents in Wirral, in order to have a positive impact on individual wellbeing, health and independence.

Everything we do will shape and enable the creation of a sustainable health and care system that makes a positive difference to people’s lives. We will do this by providing leadership, including connection, energy, removing perceived or actual organisational boundaries and:

- **Improving the health of local communities and people** – Wirral has many diverse communities and needs, we recognise this diversity and will help people live healthier lives, wherever they live.
- **Listening to the views of local people** – we are committed to working with local people to shape the health and care in Wirral.
- **Caring for local people in the longer term** – we will focus on providing high quality and safe services which will be suitably staffed to support the future as well as the present.
- **Getting the most out of what we have to spend** – we will continuously review to ensure that we get the best value out of the money we receive.
- **Working as One, Acting as One** – we will work together with all partners and the public for the benefit of the people of Wirral.

6.5.2 Our mission is to work together to deliver the **Wirral Health and Wellbeing Board** outcomes to improve population health and to reduce inequity.

Vision

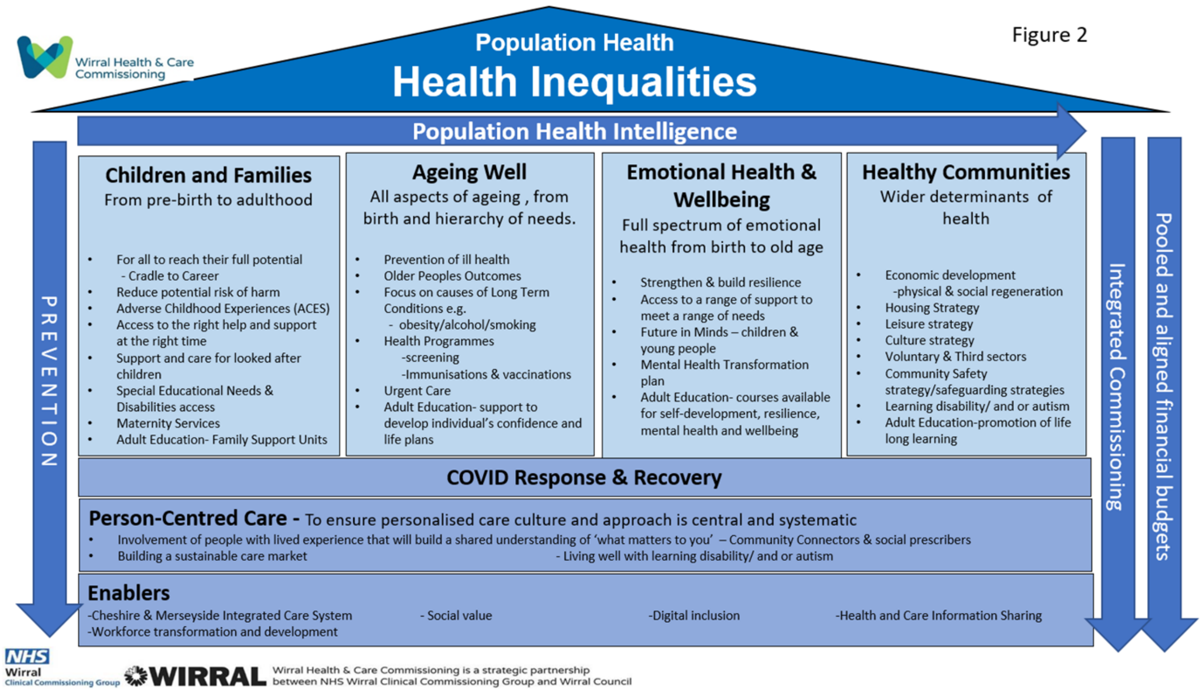
Our vision is to enable all residents of Wirral:

- to live longer and healthier lives by taking simple steps of their own to improve their health and wellbeing;
- to provide the very best health and social care services when and where people really need them;
- to provide services as close to home as possible.

Priorities

- **Improve Health and Wellbeing Outcomes -** for the population of Wirral
- **Reduce Health Inequalities -** in outcomes, experience, and access.
- **Enhancing Productivity –** by providing value for money
- **Provide Oversight and Leadership -** of System Planning, Quality Assurance and Safeguarding.
- **Manage Care and Health Market -** to ensure that there is a full and effective range of sustainable services across the Borough.
- **Enable and Support the Provider Collaborative -** to deliver population health outcomes.
- **Supporting Social and Economic Development –** with partner organisations across Wirral
- **Wirral as a Place** – to support the development of Wirral commissioning at a place level, including aligning Wirral Health and Care Commissioning resources and staff, to commission and deliver high quality care to local populations. To listen and include community and faith leaders or any other influencers who might help us engage with these communities, including people with lived experience, their informal carers, and young carers.

6.5.3 Diagrammatic representation of the plan



6.5.4 How Adults services are changing to support this theme

6.5.5 Extra Care Housing will help prevent more older people from moving into residential care and will delay the need for more intensive care and support options. The programme of development extends to adults with learning disability and provides people with accommodation appropriate to their needs including their own front door and on-site care accessible 24/7 and when they need it. Extra Care Housing developments present a care and support model that is value for money as well as being person centred and community focussed.

6.5.6 Technology Enabled Care and Remote Monitoring will enable more people to remain in their own home, to avoid unnecessary hospital admissions, and to be more in control of their day to day lives. This is extending to technology that can help people to monitor their long-term health conditions and have access to professional support when they need it. Technologies will also enable remote monitoring and support for older people at risk, for example due to falls or to needs linked to dementia. Such approaches can supplement or replace some aspects of other, more traditional, care and support arrangements and enabling people to remain as independent as they can.

6.5.7 Adult Care and Health are engaged in a programme of work, with partners, to have a different response to people requesting care and support services and to achieve a more person-centred approach. Work based on the concept of "The Three Conversations" will encourage social care staff to invest more time in understanding people's needs and in finding creative solutions, rather than more traditional approaches.

6.6 Cross Cutting Programmes

6.6.1 Committee and Civic Services continue to work with providers such as Public I and Modern.Gov to ensure that the webcasting of Committee Meetings and the management and publication of agendas and reports is efficient and cost effective as possible. New ways of working continue to be explored including the innovative use of technologies to better the democratic decision-making process and to support the Council's ambition for open and transparent decision-making. Enabling residents to see an open and transparent decision-making process. Additionally, the Elections Team is preparing to respond to the outcomes of the Elections Bill.

6.6.2 To better enable and support Members to manage and deliver the outcomes expected within the Wirral Plan. Innovative developments such as the Member Portal continues to be embedded to directly assist Members in their case work management on matters related to key themes contained in the Wirral Plan. At the request of the Constitution & Standards Committee, officers will work with Members to undertake a review of the implementation of and continued operation of the Committee system to ensure it supports the delivery of the Wirral Plan objectives.

6.6.3 Legal Services continue to provide a full-service provision of transactional and litigation services, directly and in development of an intelligent client model of sourcing external legal provision. Improving and delivery of the services are hampered, however, as a result of considerable difficulty in recruiting staff, with some areas carrying 60% vacancy rates and which are proving difficult to fill even with agency staff. This could pose a major risk for the council particularly in relation to providing legal support for all of the complex regeneration projects the Council has embarked upon. A procurement exercise has been undertaken to secure an external Strategic Legal Partner to support the development of a regeneration ‘triage’ service and to manage the procurement of external legal representation for the larger more complex projects. A procurement exercise is also underway for a new legal case management system to modernise business processes and improve efficiency.

6.6.4 During lockdown there was a reduction in applications for licences which resulted in a loss of income for the Licensing Service. However, staff within the Licensing Team were busy working closely with colleagues across the regulatory services undertaking Covid enforcement work. Since the end of lockdown and the easing of restrictions there has been a steady increase in licensing applications being received and a review of the Licensing Service is being undertaken.

6.6.5 Modernisation and improvement plans continue to progress, which will affect operations across the organisation, in line with the support services.

6.6.6 The SmartBusiness project will modernise, standardise and centralise the council’s core systems; the outcome of which will see, along with other council systems, the 1Business Enterprise Resource Planning (ERP) system replaced. These systems are effectively the organisation’s central nervous system, used across all employee groups. The project will affect and benefit the whole organisation by increasing the efficiency and effectiveness of operations, standardising our internal processes and reducing time spent by staff on processing tasks.

6.6.7 Worked with the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out an interim assessment of the medium-term financial plan (MTFP) and a high-level review of the cost of the services the Council provides.

6.6.8 The adoption of automation and the modernisation of services through digitalisation has started across the Council with the expansion and acceleration of activity currently being explored. Automation and digitalisation will support the streamlining of internal and external processes, as well as modernising how residents and businesses interact with the Council. Through the Change Programme all service areas will be reviewed and, where necessary, appropriate processes and procedures updated through the use of automation and digitalisation.

6.6.9 Scoping activity and business case development for a number of new transformation and change programmes is underway. These programmes represent an opportunity to secure improved outcomes for residents in line with the 2021-26 Wirral Plan priorities, improved efficiency in terms of service delivery and delivery of required savings. In support of this, work is underway to understand current costs and working practices across Council activity. In time, and following appropriate engagement, options for the future Council operating model will be presented, including ways of working and supporting technology architecture.

6.6.10 The remobilisation of Council services continues as we enter a new phase of Covid-19. Some asset-based services will require further investment to restore previous capacities and/or enable pre-Covid activities. A review of the estate is progressing, and this will inform investment cases. The recovery support to businesses and communities impacted by the pandemic is led through a distinct programme, elements of which draw on the Contain Outbreak Management Funding (COMF) and/or other relevant criteria-based funding.

6.6.11 Work continues in implementing a new data platform to support developments in Business Intelligence which will help deliver better outcomes for our residents.

6.6.12 The development of the 'MyWirral' account continues with an increasing number of online services being accessed through the account. The number of new accounts also continues to increase on a month-by-month basis.

6.6.13 The Council's People Strategy is being refreshed which will set out a programme of workforce change over the next three years. There are significant pressures on support services within the Directorate in developing the full range of change programmes with workforce implications. This includes the development of a new human resources (HR) policy framework to support the Council in the move to a hybrid working model and rationalisation of our estate.

6.6.14 Other priorities that require significant support from HR and Organisational Development include:

- Migration of the HR/Payroll system into the cloud and preparation for the next iteration of system operations incorporating integration with other Council systems
- The implementation of a new Learning experience Platform for staff training
- The continued implementation of a Health and Safety Improvement Plan

7. Forecasting the medium-term financial plan

The Council has in recent years had difficulty in balancing the revenue budget without the use of reserves and for 2020/21 and 2021/22 the exceptional financial support from MHCLG through the capitalisation direction. It is vital that when budgeting and planning we protect our reserves and grow them to safeguard the Council against future risk and provide access to funding for investment. Managing spend in-line with budgets, producing well informed and robust forecasts and increasing income through new income streams are all key financial aspects that decision makers of the authority have a part to play.

The overall approach to funding has been changing over recent years which has caused issues with long term planning; multiple years of one-year settlements from central government have also caused issues with having a sound financial basis to deliver services against during the medium-term. The Council entered into the 100% retention pilot for business rates, and this is now under review which will lead to further funding risk in the MTFS, coupled with the continued reduction in central government funding. This in turn has led in recent years to the Council maximising the use of Council Tax increases and therefore, funds a greater share of local costs in the future.

The Medium-Term Financial Strategy reflects a structural deficit which will through the Wirral Plan and strategies generate year on year a balanced position. This will be achieved through a combination of specific policy proposals in each Service alongside a medium-term approach to Council Tax increases, the Council will drive a balanced position.

8. Five-year Summary of Medium-Term Financial Plan

This five-year plan is an estimate of the five years revenue budget for the Council and is subject to public consultation and member approval at Full Council, it will be updated to reflect the final proposed budget once the consultation has ended. Saving and pressures are assumed to be recurring and therefore roll into years two to five.

Financial Years	22-23 (£m)	23-24 (£m)	24-25 (£m)	25-26 (£m)	26-27 (£m)
Adult Care & Health	113.60				
Chief Executive Office	1.80				
Children, Families & Education	86.60				
Law & Governance	6.00				
Neighbourhood Services	54.00				
Regeneration & Place	33.90				
Resources	33.50				
INITIAL REVENUE BUDGET REQUIREMENT	**329.40**	**343.15**	**341.34**	**344.08**	**345.78**
Removal of one-off items from 21/22:	-6.55	0.00	0.00	0.00	0.00
Pressures to be approved:	31.65	11.66	11.78	11.67	11.70
Savings to be approved:	-11.34	-13.47	-9.04	-9.96	-4.38
REVISED REVENUE BUDGET REQUIRMENT	**343.15**	**341.34**	**344.08**	**345.78**	**353.10**
FUNDING	**-317.94**	**-319.23**	**-330.40**	**-338.40**	**-346.77**
BUDGET GAP before saving and pressures above	**4.91**	**23.92**	**10.94**	**5.68**	**-0.99**
BUDGET GAP to be closed if saving and pressures approved	**25.21**	**22.11**	**13.68**	**7.38**	**6.33**

These financial outlines do not include income or expenditure were the Council acts as an Agent.

9. Context and Challenges

9.1 Context

The MTFS is a key part of the Council's Budget and Policy Framework which aims to ensure that all financial resources are directed towards the delivery of Council priorities, which are aligned to the Wirral Plan 2021-2026 as highlighted in the diagram below. The financial proposals in this MTFS aim to allow Wirral to have a balanced annual budget and successfully plan for a financially resilient future by increasing its general reserves.

9.2 The MTFS focuses on the improvement of the lives of Wirral residents by delivering and investing in key public services and regeneration.

The outcome of these activities will be through the key strategies of the Council which are outlined below and will result in a budget for 2022/23 which is:

- Balanced, sustainable and legal; and
- Continues to deliver vital services.

9.3 This MTFS sits against a backdrop of considerable financial uncertainty and unprecedented challenges for all local authorities, from funding changes, the ongoing impact of Covid-19 and growing pressures on key services.

9.4 Due to the Coronavirus pandemic, the government announced in April 2021 that the Comprehensive Spending Review (CSR) publication would be delayed, and was not formally launched until July 2020, it was also announced that the Relative Needs and Resources Review (formally Fair Funding Review) would be delayed. Business Rates Retention was also scheduled to take effect in 2021-22, with new funding baselines for all councils having been determined through the Relative Needs and Resources Review, both of these, have now been delayed as a result of the impact of Covid-19.

9.5 Challenges

For 2022/23 and beyond challenges being faced include the ability to:

- support the Borough out of Covid-19,
- expand services to protect the vulnerable, reduce inequality
- Expand services to meet the statutory demands of our residents and to protect the vulnerable
- manage rising demand,
- deliver the new Wirral Plan,
- address funding changes,
- progress the digitisation of services,
- deliver organisational cultural change across the Council, and
- absorb the impact of Brexit.
- Impact of ICS and the changing health model

The global COVID-19 pandemic has created unprecedented challenges and new experiences for everyone. However, whilst the pandemic has affected us all, the burden has not been shared equally. The long-standing problems associated with health inequality have endured; vividly exposing the impact of these unacceptable differences on people and communities. The pandemic has also made these health differences worse, and the heaviest impacts have fallen on the lives of people already experiencing health, economic and social inequalities.

Whilst we have made great progress to support people to live healthier lives in Wirral, health inequalities are stubbornly persistent. Prior to COVID-19, Wirral already had some of the poorest health outcomes in the country, with high numbers of socially and economically vulnerable people and extensive, prevailing health inequalities. Within Wirral the difference in life expectancy between those living in the most and least deprived areas is 10.7 years for men and 11.2 years for women. The impacts on individuals, communities, services, and the economy are enormous, and the repercussions of the pandemic will aggravate these further.

Continuing to tackle health inequalities, and reduce its impact on our community, will be a key task long into the future and one which will benefit every resident. Although some things that influence our health cannot be changed, such as our age and genes, there are many important factors that, collectively, we can change. Issues such as poverty, unemployment, poor housing, and unhealthy environments are major contributors to this health gap. The pandemic has shown us what we can achieve when we all work together and the speed at which we can make change happen.

The Wirral Plan has tackling inequality at its heart, with the Vision for Equity cutting across all Themes within the Plan. This is underpinned by the Public Health Annual Report which identifies five key recommendations to direct the action we need to take together to improve health for everyone in our borough and support the delivery of the Wirral Plan. The recommendations are as follows:

- Prioritise economic regeneration and a strong local economy
- Safeguard a healthy standard of living for all
- Increase support for children, young people, and families
- Strengthen action to address differences in health outcomes and prevention
- Residents and partners continue to work together

Integrated Care System Changes. On 26th November 2020 NHS England/Improvement (NHSE/I) published Integrating Care. This is the next steps to building strong and effective integrated care systems across England, subsequently referred to as Integrating Care (ICS). ICS boundaries will align with upper-tier Local Authority boundaries by April 2022 unless agreed by exception.

The aim is to build on lessons learnt by the NHS to a long-term improved health delivery, removing bureaucratic and transactional processes, most effectively prevent illness, support our ageing population, tackle health inequalities, tailor support to the needs of local populations, and enhance patient safety and quality in the provision of healthcare services. This will ensure the NHS and the wider system can respond swiftly to emerging issues while being fully accountable to the public.

This new Partnership will support the delivery of the Wirral Plan with have a stronger place-based focus. This will ensure resources are used more effectively and bring improved financial resilience into the service delivery.

Objectives will be shared, along with outcomes, working with the Council, key partners, communities and people.

9.6 The Wirral Plan through the prevention agenda, regeneration, neighbourhood working and partnerships within the health system will go some way to alleviate the challenges.

9.7 The Covid-19 pandemic has been the most challenging emergency the Borough of Wirral and the Council has responded to in recent times. The nature of the pandemic saw the Council react at speed to implement Government policy and local priorities to limit the spread of the virus, protect the health of all our residents and ensure the most vulnerable in our communities are safe and cared for.

9.8 The financial, social and wider economic impact of the pandemic is the great test we now face and the scale of it cannot be underestimated.

9.9 Ensuring procurement contracts achieve value for money, drive through saving whilst ensure we deliver on of economic climate commitment and social values; it is proposed a Procurement Board is formed.

9.10 Moving out of Lockdown

As we move from periods of lockdown to a transition period, we as a Council must commit to fundamentally transform and collectively work with our partners through the unprecedented challenges. To do this this our Strategic Recovery Plan forms the core of the Wirral Plan 2021 - 2027. Our planning considers two key phases: Recovery and Renewal.

1. **Recovery**: Recovery concentrates on the safe re-opening and resumption of assets and services, aligned with the government roadmap. It also supports the recovery of local businesses, schools and education, events, and planning for the winter period.

2. **Renewal**: Renewal considers new initiatives that will provide better services and experiences for our communities. It also aims to provide stronger resilience across the seven renewal themes:

- Corporate Organisation
- Children and Families
- Economy
- Neighbourhoods and Communities
- Housing and Homelessness
- Inequalities and Well-being
- Improving our High Streets and Coastal Areas

9.11 The Council is seeing more demand and different challenges of which the following are anticipated:

- Vulnerable residents will have more complex needs
- Demand for statutory services will increase at an accelerated rate
- The risk that local economy may shrink, and local business may need support to recover

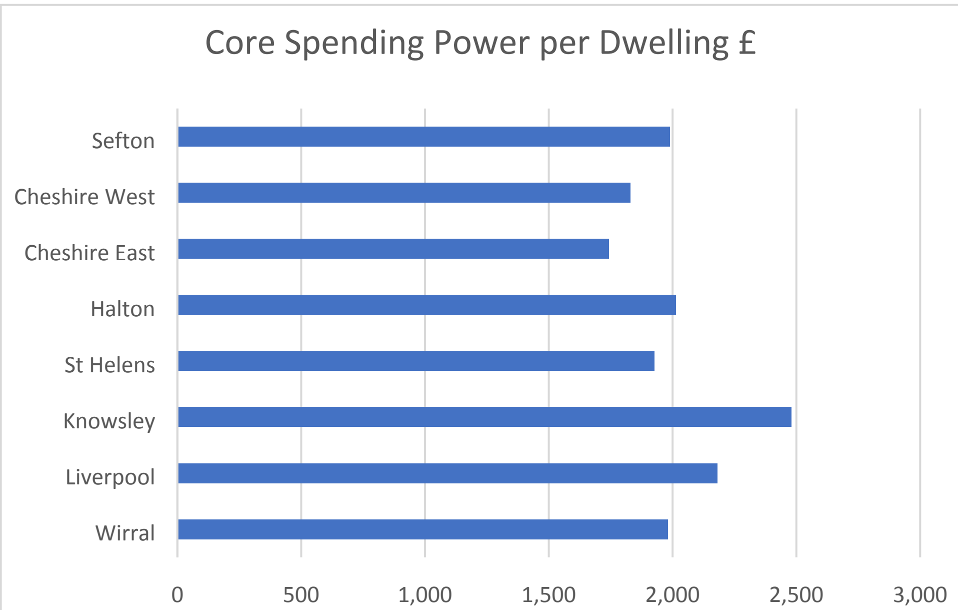
These challenges pose a financial risk to the Authority and are in addition to the usual challenges which are:

- Demand for services through demographic growth (an aging population)
- Cost increases through inflation
- Number and age of properties in the Council estate and capital investment and cost of capital programme to maintain

However, through the short, medium and long terms strategies within the MTFS a balanced budget can be forecast, any forecast deficits over the next five years will be managed through the strategic intent to balance the budgets in future years.

10. How we respond to Funding changes and compare to other Councils

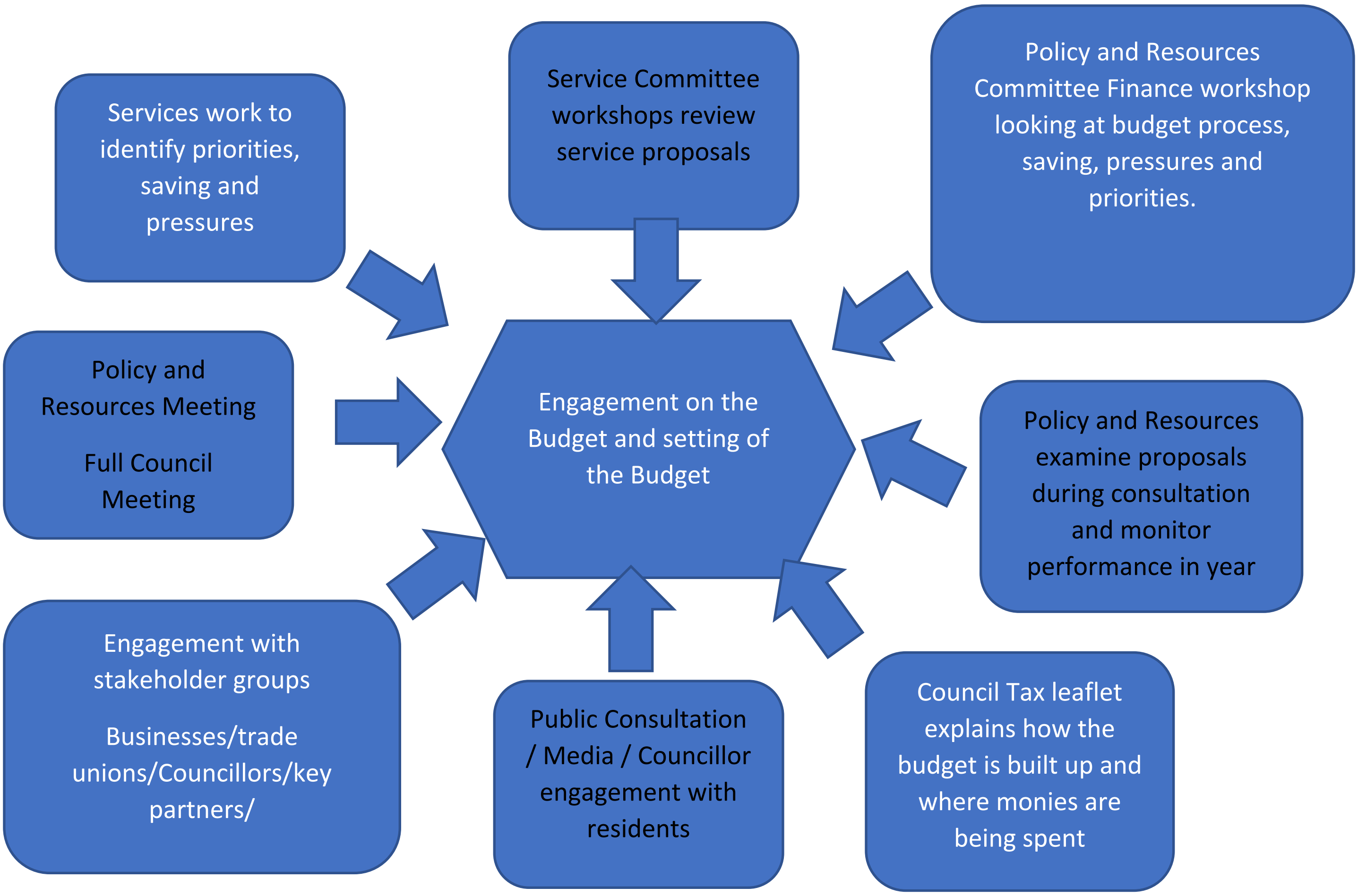
To put in context how Wirral fare to other local Councils in the government's settlement annually, in the 2021/22 settlement Wirral's Core Spending Power (a measure of the resources available to local authorities to fund service delivery by setting out the money that has been made available to local authorities through the Local Government Finance Settlement) is £1,981 per dwelling. The table below shows our position with regard to our neighbours.



Funding is a concern to all Councils and through the consultation for the Comprehensive Spending Review (CSR), Wirral and the Liverpool City Region send responses. We also work closely with the LCR in lobbying central government as to the impacts of funding changes. Consultations the Council has responded to include:

1. Comprehensive Spending Review
2. Council Tax and Business Rates
3. Accounting and Audit changes

11. Budget Process and Proposals



12. Financial Stability

To achieve a balanced position the Council must reflect the impact of service ambitions in the budget and match this to the available resources from Council Tax, Business Rates, Grants and an appropriate use of reserves. Producing a balanced MTFP, matching expenditure to resources over the medium term, creates the platform for a financially sustainable position. The 2022 to 2027 MTFS demonstrates a balanced position for years 2022/23 and a budget gap for the remaining years which needs to be resolved through changes in the delivery of services for the remaining years.

The Government's Spending Review in November 2020 only confirmed a single year of funding levels for Local Government. But it did include the addition of extra support for Adults and Children's Social Care for 2021/22 to help combat the continuing increasing pressures in these key service areas, whether this will continue is unknown at this stage and therefore has not been reflected in our MTFP and initial budget for 2022/23. Furthermore, the national Review of Relative Needs and Resources (formerly Fairer Funding Review) and changes planned to the Business Rates Retention Scheme are being delayed a further year until 2022/23 and until we know the outcome of the Autumn budget, we have to plan for changes to the budget funding to reflect these.

12.1 CIPFA Financial Management Code

CIPFA has introduced a Financial Management Code which will be used as the benchmark for best practice across the UK. Whilst it has no statutory basis, it has been endorsed by HM Government and it is expected that External Auditors will look for compliance. The first full compliance year is 2021/22. The Code will assist authorities in demonstrating their financial sustainability and brings together best practice compliance without codes such as, the Prudential Code, the Treasury Management Code and the Accounting Code of Practice for Local authorities in the United Kingdom. The FM Code is based on a series of principles supported by specific standards and statements of practice. Section 3 of the Code requires an authority to have met the following four requirements in relation to the medium and long-term financial management:

- The Authority has carried out a credible and transparent financial resilience assessment;
- The Authority understands its prospects for Financial Sustainability in the longer term and has reported this clearly to members;
- The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities; and
- The Authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

The Code in section 4 is in relation to the Budget:

- The authority complies with its statutory obligations in respect of the budget setting process; and
- The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

The Code in section 5 further requires monitoring of financial performance in the following areas:

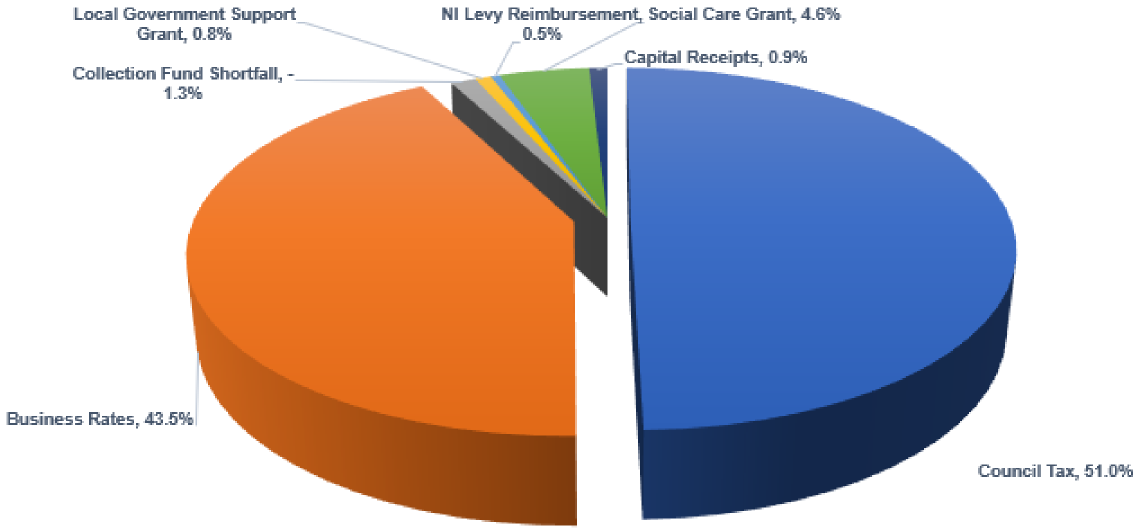
- The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability; and
- The Leadership Team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

Compliance with the FM code will typically, but not always, be demonstrated by documenting compliance with the Statements of Standard Practice which underpin each of the CIPFA Financial Management Standards: While compliance with the CIPFA Financial Management Standards is obligatory for compliance with the Code, the Code is not prescriptive about how this compliance is achieved. A self-assessment document has been completed for Wirral Council which evidences compliance and where there are improvements these will be actioned through a monitored action plan and reported to the Director of Resources. Link to FM Code

12.2 Local Funding v National Funding

The funding for Council services from council tax and business rates will be c.77.8% (excluding top-up grant) of the total net funding for 2022/23. Net funding excludes ring-fenced grants for Schools, Public Health and Housing Benefits. The financial stability of the Council, which determines the amount of money available for service expenditure, should be exposed to less risk from further Government funding shortfalls in the medium term, if local funding can be increased to an acceptable level through income growth and increased commercialisation proposals as set out later in this document.

The table below shows the sources of funding in the 2022/23 budget.



The budget consultation and funding within this for 2022/23 Budget Report is based on forecast estimates ahead of the Provisional Local Government Finance Settlement released in December 2021. Further changes to the budget are therefore expected to 1) reflect the provisional settlement in December 2021, and 2) the final settlement is expected in early 2022 with a debate in the House of Commons shortly after. Any further information on funding will be reported to Members as soon as practical and may require management through reserves.

The table in 12.3 below sets out the revised funding forecast for Wirral Council for the period 2021/22 to 2026/27. This shows how local funding sources are being increased to fund the majority of the growth in service budgets, and how Government grants are contributing to a lesser extent in monetary terms.

12.3 Funding Available

	2021/22 £m	2026/27 £m	Change £m	Change %
Council Tax	-156.60	-184.55	-27.95	17.85%
Government Grants	-25.28	-14.60	10.68	-42.25%
Business Rates	-137.68	-146.18	-8.5015	6.17%
Levy for NIC	0.00	-1.44	-1.44	100.00%
Collection Fund (-contribution/ +deficit)	1.00	0.00	-1.00	-100.00%
Capital Receipts	-0.73	0.00	0.73	-100.00%
Capitalisation Directive support	-10.70	0.00	10.70	-100.00%
Earmarked Reserves	0.00	0.00	0.00	0.00%
Total Funding Available	-329.98	-346.77	-16.79	5.09%

12.4 The Business Rates Retention Scheme and control over council tax levels are placing greater responsibility on all Councils to determine their own funding levels. In Wirral, the Council is meeting this challenge in a number of ways and focusing on longer term financial stability.

12.5 Growing the domestic tax base - Each new home brings additional council tax revenue, New Homes Bonus and, since 1st March 2019, a community infrastructure levy where relevant.

However, homes also bring additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value to ensure council tax increases for residents are kept to a minimum overall.

- Promoting Economic Growth - business growth can result in additional income being retained for local investment, subject to certain thresholds. Therefore, the Council continues to invest in driving economic growth and infrastructure projects that will unlock development land and support inward investment.
- Increasing employment opportunities through economic growth resulting in fewer people relying on welfare benefits from the Council which releases funding for further investment or for direct provision of front- line services.
- Maintaining strong collection rates - to ensure fairness to all involved and ensure the Council maximises local income for local use. This approach is very important and is embedded in the Council's actions.

12.6 Government Grant Funding

The ability of the Council to plan effectively is dependent on when Government funding is announced. During the budget planning process forecast are produced based on best estimates of funding which is announced in three stages.

- The Spending Round announcement in September.
- The release of the Provisional Settlement in mid-December 2021 where confirmation of the approach to grants, council tax and calculation of business rates estimates are received.
- Final Settlement announced early February 2022.

12.7 Business Rates Retention Pilot

Since 2017/18 Wirral has participated in a 100% Business Rates Retention (BRR) pilot, as opposed to the national 50% BRR scheme. This means Wirral retains 99% of Business Rates collected (Merseyside Fire & Rescue Service receive 1%) rather than 50% being transferred to Central Government. Authorities in the pilot are also not paid Revenue Support Grant or Improved Better Care Fund, which are instead devolved as part of the BRR pilot.

The pilot is in conjunction with Liverpool City Region authorities, and operates on a "no detriment" basis, where should any of the LCR authorities be in a worse position as a result of being in the pilot, they would be compensated by the other LCR authorities to ensure they were no worse off than on the national scheme. To date, all authorities have been in a betterment position each year, with Wirral being approximately £7m better off per year as a result of being in the pilot.

The Local Government Funding Settlement confirmed continuation of the pilot, but a decision has not yet been made to continue these arrangements beyond 2021/22. The Government will take a final decision on the future of these arrangements at the 2021 Spending Review later this year. A combined paper was submitted to MHCLG in August 2021 outlining the significant impact this would have on all the LCR authorities.

12.8 Council Tax

Locally collected domestic taxes that are directly retained by the Council will provide approximately 51.0% of the Council's net funding in 2022/23. The Council therefore takes a measured approach to managing the domestic tax base in a way that reflects local growth ambitions and supports sustainable services in the medium term. The increase of cost of care for supporting and protecting vulnerable people and inflation in costs are taken into account, then this creates a requirement to continue to increase council tax levels in line with Government expectations.

The ability to raise additional council tax for use solely on Adult Social Care (ASC) was accepted in 2021/22. From 2022/23 Local authorities can only raise up to 1% through a Social Care precept.-The Council has forecast to maximise the Council Tax increase at 2.99% each year for the rest of the medium term, along with growth in the number of premises; this is 1.99% Council tax and 1% Adult Social Care precept. As such it is proposed that council tax is increased by 1.99%, £3.12m plus 1% for social care precept £1.60m and for new premises £0.57m for 2022/23 to give a Band D increase of £50 per household for 2022/23 (excluding precepts for Fire and Police).

The calculation of the council tax for 2022/23 is shown below.

Council Tax Calculation	2022/23 £m	2022/23 £m
Net budget for 2022/23	317.9	
Less Business Rates	-138.4	
Less Collection Fund deficit	4.0	
Less Other Grants/capital receipts	-20.2	
Less NIC Levy	-1.4	
Amount to be raised from Council Tax		**162.0**
No of Band D equivalent Properties		94,546.6
Band D Council Tax		**1,713.4**

The impact on each council tax band and the number of dwellings in each band is set out in the table below:

Band	**A**	**B**	**C**	**D**
Council tax £	1,142	1,333	1,523	1,713
No of Dwelling	60,847	21,980	27,635	13,500
Band	**E**	**F**	**G**	**H**
Council tax £	2,094	2,475	2,856	3,427
No of Dwelling	8,378	4,326	3,156	274

12.9 Un-ringfenced Specific Grants

A number of separately identified un-ringfenced specific grants are forecast in our MTFS and MTFP and it is anticipated these will reduce of the five-year term of the strategy.

Note that below shows the original budget for 2021/22 and the forecast un-ringfenced grants to 2027, with only the social care support grant remaining.

	2021/22 £m	2026/27 £m	Change £m	Change %
NI Levy Reimbursement	0.00	-1.44	-1.44	
New Homes Bonus*	-0.18	0.00	0.18	
Social Care Support Grant	-14.60	-14.60	0	
Lower Tier Services Funding	-0.50	0.00	0.5	
Total Funding Available	-15.28	-16.04	-0.76	5.0%

*New homes bonus is due to be phased out in 2022/23 and due to be replaced with something that will reward Council's with ambitious developments as part of the Settlement in December 2021.

12.10 Ringfenced Specific Grants

There are many ringfenced grants that are reported as income within service budgets by Directorate such as the following:

12.11 Dedicated Schools Grant (DSG)

This grant provides the Council funding to meet certain educational costs. Under the national funding formula (NFF) arrangements DSG is allocated in funding blocks, namely the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block.

12.12 Public Health Grant.

The **Public Health Grant** is a ring-fenced grant to allow Councils to discharge their public health responsibilities by improving and protecting the health of the local population and reduce health inequalities as measured by the Public Health Outcomes Framework. This includes a wide range of statutory services including, infection prevention and control services, Children's 0 – 19 health services, sexual health services, NHS health check programmes, substance misuse services, and other behavioural change services as well as addressing specific local health needs such as reducing health inequalities which is a key objective of the Wirral Plan. Use of the funding may also include meeting public health challenges arising directly or indirectly from COVID-19.

This grant has been ringfenced since 2013 and we await confirmation of the allocation for 2022-2023. Previous years have seen it fluctuate in value, with a trend of annual reductions seen up until 2019. The last two years have seen it stabilise at £29.9m for 2020-2021 and £30m in 2021-2022. To mitigate the uncertainty that comes with single year allocations, the Council maintains a rolling five-year financial plan and has done so since 2013. The longer-term arrangements for how this grant will be provided to local authorities has yet to be determined.

12.13 Reserves Forecasting

The Council has been noted that the low level of General Fund and Earmarked Reserves has caused the external auditors as part of their annual audit of the 2019/20 accounts to qualify the value for money findings and they have recommended the Council address this urgently.

The Council Reserves Strategy 2022/23 states that the Council will maintain reserves to protect against risk and support investment. The Strategy is updated each year and the latest update is provided at Appendix 5. The Strategy identifies two types of reserves:

- General Reserves Balances in this category are not identified for specific purposes but will be used to cushion against the impact of emerging events or genuine emergencies.

- Earmarked Reserves Balances in this category have been set aside for a specific purpose and will either be spent on that purpose or otherwise returned to General Reserves.

Further details, such as opening and closing balances and protection against financial risks, are contained within the Reserves Strategy.

12.14 Other Factors

The Council develops, through scenario planning and using assumptions, the potential financial position over the next five years. These assumptions are key components of the budget process and updated through the year as more accurate forecasts become available.

Allowances will be made in the 2022/23 budget for other economic factors, such as pay inflation of at 2.0%. The Budget Report for 2022/23 reflects inflationary pressure in business rates and utility bills. The new social care levy is forecast to increase pressure on budgets by circa £1.4m pa.

13. Investment, Capital Programme and Borrowing

The capital programme is ambitious, reflecting the Council's priority to promote local economic wellbeing. To support this ambition the Council actively pursues funding from private sector organisations and Government as well as attempting to maximise receipts from asset sales.

Resources will be utilised accordingly to allow flexibility within the overall programme. Major infrastructure projects, for example, Birkenhead Investment District and Wirral Waters are funded through several sources, grants awarded, borrowing and capital receipts.

The Council applies an agreed Treasury Management Strategy (Appendix 2) to ensure capital financing is affordable in the medium term. During 2017/18 the Council revised its approach to calculating the Minimum Revenue Provision (MRP) to release revenue funding and mitigate overspending on services. The Council uses an annuity calculation method to MRP.

The estimated capital financing budget for 2022/23 is shown below. This includes repayment of debt and interest payable on the Council's long-term loans. Costs are partly offset by the interest earned on the Council's investments. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2022/23, comprise of the following elements:

• For borrowing incurred prior to April 2008: Cost is calculated at a 2% annuity rate over an average asset life.

• For borrowing incurred after April 2008: Cost is calculated on an annuity basis over the anticipated life of the asset, the rate is dependent on when the financing is incurred and is based on the average PWLB loans rate in which the capital expenditure occurs.

These periods vary from five years to 50 years depending on the type of expenditure funded from the borrowing.

Capital Financing Budget

	2022/23 £m
Repayments of debt	9.50
Contributions from Services	-2.60
Interest on loans	10.00
Less: Interest receivable	-0.25
Net Capital Financing Budget	16.65

Details of the Council's Minimum Revenue Provision Policy are shown in Appendix 3 Capital Strategy.

As of 31st August 2021, The Council has external borrowing of £189m of which £19m is temporary borrowing with other local authorities. The amount of interest paid on the Council's portfolio of loans is a mix of long-term fixed rates of interest and low-rate short term rates of interest (average 5.8%). Currently long-term interest rates are around 2% with the Public Works Loan Board.

The rate of interest to be earned on the Council's cash balances that are temporarily invested is budgeted to be £1.2m. The Council sets out the approach to these issues in its Treasury Management Strategy which is set out in Appendix 1. of this report.

The capital programme to 2024 is set out in Appendix 3. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that the complexities around planning applications, public consultation and dependencies on third parties for external funding can mean that projects are delayed from one year to the next. The Investment and Change Board undertakes a critical role in evaluating and approving capital proposals for progression to Council review and approval. All capital projects go through a robust quality assurance framework and are closely monitored. The governance arrangements safeguard against projects proceeding where costs may escalate beyond budgets. Potential variances from approved budgets may become subject to supplementary approval in accordance with Financial Procedure Rules. Further details on the governance arrangements for the capital programme are set out in Appendix 3.

How the Capital Programme is Financed

The level of resources required to fund capital investment in the medium term is set out in the table below and is based on the level of borrowing that the Council can undertake on a prudential basis, the level of Government grant, the level of capital receipts and external contributions that can be generated over the period.

Asset Condition surveys are currently being commissioned and will give the cost of improvements over the next five years. This data will be updated once this information is known.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Committed schemes	73.00	50.80	10.00	0.00	0.00	133.80
New/Forecast Schemes	0.00	0.00	30.00	36.00	32.00	98.00
	73.00	50.80	40.00	36.00	32.00	231.80
Financing:						
Borrowing	30.17	29.70	20.00	17.50	15.80	113.17
Government Grants	39.90	21.10	15.00	14.00	12.15	102.15
Revenue Contributions	0.00	0.00	0.00	0.00	0.00	0.00
Capital Receipts	2.93	0.00	5.00	4.50	4.05	16.48
External Contributions	0.00	0.00	0.00	0.00	0.00	0.00
	73.00	50.8	40.00	36.00	32.00	231.8

The estimates Capital programme shown in the table above is subject to change both in level of commitment and sources of finance as the programme will evolve to suit service need and objectives. A 10% reduction in the programme is estimated.

The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required, the preference will be to utilise capital receipts from asset disposals. The forecast for up to £3m capital receipts for the period 2022-27 is based on potential disposals as provided from the Asset Management team. Full disposal of these sites may not however be completed due to a variety of reasons including objections being raised, changes in market value, planning permissions, contract negotiation etc.

The schemes in the Capital Programme, both existing and new proposals, have undergone an exercise to ensure they represent value for money, are part of the regeneration of the borough, attract government funding such as the local towns funding, encourage external funding or alternatively are affordable within the capital 106 financing budget and do not commit the Council to additional debt repayments that are not affordable in the medium term.

The long term projected capital programme does include a degree of estimation, however, before any capita programme is approved detailed business cases will be developed for these schemes. Before work can commence, there will be certainty about the deliverability, benefits and value for money of the schemes ensuring they achieve Economy, Efficiency and Effectiveness for the borough.

14. Capital Expenditure Borrowing

The Council's capital investment complies with the "Prudential Code for Capital Finance in Local Authorities". Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital programmes. The level of Prudential Borrowing required in 2022/23 and in future years is detailed in the Treasury Strategy. The revenue consequences have been considered as part of the medium-term strategy to ensure they can be afforded in future years.

A number of critical government grants are supporting the capital programme especially for the regeneration of the borough and these are set out in the capital strategy.

Reports published by the Department for Levelling Up, Housing & Communities in November 2021 made clear the Council needs to dispose of assets and use the receipts to fund borrowing. The Council also intends to use a proportion of capital receipts specifically to transform services so that recurrent costs can be removed from the budget.

15. Risk Management

The Council continues to implement and embed an effective risk management framework and appropriate risk appetite to ensure that it is better placed to manage its performance; achieve its corporate objectives; and provide an enhanced level of service and outcomes.

Management of risk is an integral part of financial resilience and planning and must be embedded in all that we do. To enable the Council to monitor its financial resilience it needs to regularly assess its risks across all activities. The aim is to ensure that where risks have been identified that relate to financial resilience, planning and management these are being mitigated, monitored and reported on a regular basis. The Council's Risk Management Policy and Strategy outlines the approach to be taken across the organisation at all levels, from corporate to project risks.

In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. The Council aims to use its risk management framework to help protect against this and the Corporate Leadership Team and Committees regularly review the Council's strategic risks and give assurance on the effectiveness of risk management through the Council's Audit and Risk Management Committee.

Operationally risk management is integrated into service planning, project management and decision making to ensure that:

- Risks are recognised and responded to appropriately throughout business management and decision-making lifecycles.
- Risk activity is focused on the delivery of key organisational objectives.
- Risk registers are critically examined and refreshed throughout the year.

The Corporate Risk Register (CRR), aligned to the themes of the Wirral Plan, is reviewed and updated regularly with risks flowing up and down from the Directorate Risk Registers for mitigation and management. The Corporate Leadership Team and respective committees review existing risks as well as identifying new and emerging risks with the potential to affect the delivery of the Council's objectives.

Wirral recognises that in pursuit of its objectives and outcomes that it may choose to accept an increased degree of risk. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood and that sensible measures to mitigate risk are established.

In 2021/22 a number of risks have had significant impacts on other strategic risks and on the council as a whole. COVID 19 has continued to create financial and service pressures at an unprecedented level and continues to be an area of high risk and uncertainty, with potentially long running and as yet unknown impacts. The risks associated with recent EU exit remain are actively managed as the impact continues to be felt across the Council. These risks are being monitored, reviewed and reported regularly to the Audit and Risk Management Committee and P&R Committee.

The CRR currently features several risks linked to the financial resilience of the Council, and general reserves are focused on the Council's potential exposure to risk. In addition, a risk register for the MTFP has been developed and will be maintained and reviewed over the lifetime of the plan.

As covered in other areas of the Reserves Strategy, financial risk is managed for example by estimating variations, demand led budgets, provisions in the Capital Strategy, limits within the Treasury Management Strategy. Financial and budgetary matters are reported regularly to the Audit and Risk Management Committee for oversight.

Appendix 4. provides a summary of the risks in the current Corporate Risk Register.

16. Asset Management Strategy

The Council's Asset Management Strategy was approved by Cabinet. It is currently being reviewed and refreshed and once finalised will be considered by Policy & Resources Committee. The strategy focuses on the rationalisation of the Councils estate, and this will generate capital receipts for future capital programmes. The strategy has five themes all linked to the Wirral Plan and these are:

1. Place shaping – working together we will create a Borough were people want to live, work and do business and this is done through regeneration, town rejuvenation and investment

2. Asset policy and strategy – works in conjunction with other strategies to ensure we achieve optimum efficiency from our resources and will contribute to the Wirral Plan and Estates.

3. One Wirral Public Estate – we are working to deliver value from our property estate through the Wirral Partnership collaborative working by streamlining the estate, asset transfer to communities to deliver the right service at the right time at the right level of value for money.

4. Financial Efficiency – we will achieve the maximum value possible from our land and building assets through revenue saving and income generation.

5. Managing the Corporate Portfolio – Working to maximise the effective use of our estate, developing new building that are well designed and meet service needs, providing economic growth and job creation.

Appendix 1. Treasury Management Strategy

Background

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

In preparing this strategy the Council has had regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd who have helped shape the content of this strategy.

Investments held for service purposes or for commercial profit are considered in the Investment Strategy.

External Context

The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 7.3% respectively over the period. However, part of the robust growth figures is due to bases effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The ONS' preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, that was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, leading to higher prices.

Interest Rate Forecast

The medium-term global economic recovery has continued with the reopening of economies and most look set to grow at a decent pace. Recovery in world demand has been more highly concentrated in goods than in services. The UK has continued to benefit from its initial rapid vaccine rollout, which appears to have weakened the link between infections and hospitalisations.

The re-opening the UK economy will result in improved GDP in Q3, June and July having restrained activity a little and exacerbated labour shortages. The more upbeat assessment is that GDP will return to its pre-Covid peak by the end of calendar 2021 but will be predicated on the extent and speed with which households and businesses normalise their spending and activity during the remainder of the year.

Alongside the increase in commodity and energy prices, supply and transportation bottlenecks and the boost in prices from the lifting of restrictions, the MPC has acknowledged the potential of CPI rising to around 4% in Q4 2021.

There is uncertainty over the size and pace of change in the labour market as companies to adjust their staffing levels and new hires to post-Covid demand and working arrangements. The number of furloughed jobs has declined, and the scheme ends in September.

The Council’s Treasury advisor, Arlingclose, expects Bank Rate to remain at the current 0.10% level. The risk of movement in Bank Rate in the immediate term is low although the risks over the MPC’s 3-year horizon have increased and are leaning to the upside.

Gilt yields volatility is likely given the uncertainties over the economic outlook and central bank asset purchase programmes. Longer term yields may face upward pressure towards the end of our forecast period as the economy moves back to a sustained footing and policy expectations start to strengthen.

Downside risks remain – the risk of further virus mutations including the Delta variant could destabilise the recovery. Downside risks also arise from potential future vaccine shortages as the demand for vaccines increases.

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Official Bank Rate													
Upside risk	0.15	0.15	0.15	0.15	0.3	0.3	0.3	4	4	4	4	4	4
Arlingclose Central Case	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Downside risk	0.1	0.1	0.1	0.1	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15

About us

As at 30th September 2021 the Authority currently has total external borrowings of £189m and treasury investments of £51m. This is set out in further detail at below.

	Current Portfolio as at 30 Sep 21 £m
External Borrowing (Long & Short Term)	
Public Works Loan Board	17.8
Local Authorities Temporary Loans	19.0
LOBO Loans	107.5
Other Loans	44.5
Total External Borrowing	188.8
Other Liabilities	
PFI	35.7
Total Other Long-Term Liabilities	35.7
Total External Debt	**224.5**
Treasury Investments:	
Managed in-house	
Deposits with Banks & Building Societies	5.1
Deposits with Community Interest Companies	1.5
Deposits with Green Energy Bonds	1.5
Managed Externally:	
Money Market Funds	26.1
Royal London	1.0
Public Sector Social Investment Fund	10.0
Payden Sterling Reserve	4.0
Columbia Threadneedle	1.0
CCLA Property Fund	1.0
Total Investments	51.2
Net Borrowing Position	173.3

Forecast changes in these sums are shown in the balance sheet analysis below.

	2022/23	2023/24	2024/25	2025/26	2026/27
General Fund CFR	419	431	421	404	392
Less: Long term liabilities	-32	-29	-26	-24	-21
Loans CFR	**387**	**402**	**395**	**380**	**371**
Less External borrowing	-251	-275	-278	-271	-257
Internal borrowing	**136**	**127**	**117**	**109**	**114**
Less Usable Reserves	-79	-79	-79	-79	-79
Treasury Investments (or New Borrowing)	**57**	**48**	**38**	**30**	**35**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £72m over the forecast period.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next two years. The table above shows that the Authority expects to comply with this recommendation during 2022/23.

Borrowing Strategy

The Authority as at 30th September 2021 held £170 million of longer-term loans, as part of its strategy for funding previous years' capital programmes. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing as per the Capital Strategy.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant pressures on local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and/or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Authority's Treasury Management advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised a proportion of its long-term borrowing from the Public Works Loan Board (PWLB). The Authority will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.

Alternatively, the Authority may arrange forward starting loans where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term to cover unexpected cash flow shortages.

The approved sources of long term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any other UK public sector body
- Any institution approved for investments
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (with the exception of Merseyside Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency Plc and other special purpose companies created to enable joint local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

Type of borrowing

As the cost of carry remains high there is a greater reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. Financial derivatives may also be used to manage this interest rate risk. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review.

LOBOs

The Authority has £108m of exposure to LOBO loans (Lender's Option Borrower's Option). A LOBO is called when the lender exercises its rights to amend the interest rate on the loan at which point the borrower can accept the revised terms or reject them and repay the loan at no additional cost. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion. This refinancing risk is mitigated by the low interest rate climate, which has now been in existence for a number of years.

Any LOBOs called will be discussed with our Treasury Management advisors prior to acceptance of any revised terms. If a lender proposes to exercise their right to amend the interest rate of the loan, the default position will be the repayment of the LOBO without penalty i.e., the revised terms will not be accepted. Should the possibility arise of a LOBO being refinanced, for example by replacing the loan with a new loan arrangement, then the approach detailed below will be adopted.

Debt Rescheduling

The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. The rationale for undertaking debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

Borrowing and rescheduling activity will be reported to the Policy & Resources Committee in the Annual Treasury Management Report and the regular treasury management reports.

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. As at 30th September 2021, the Authority held £51 million of treasury investments. In the past 12 months, the Authority's treasury investment balance has ranged between £19 and £69 million. A similar range in investment level is expected in the forthcoming year, varying between £50 million and £20 million, depending on the levels of grant received and the payment profiles.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority is facing severe funding pressures over future years and therefore any potential opportunities to increase income generation via investments, whilst adhering to CIPFA guidance, will be assessed for viability.

The Authority and its advisors continually assess economic and market conditions for signs of credit or market distress that might adversely affect the Authority.

Negative Interest Rates: The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes. This is especially the case for funds that are available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

The Authority may invest its surplus funds with any of the counterparties shown below, subject to the cash and time limits shown.

Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of sound credit quality.

Business models: Under the IFRS 9 accounting standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Banks and Building Societies Unsecured Investments: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Secured Investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or as part of a diversified pool in order to spread the risk widely.

Registered Providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money Market Funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic Pooled Funds: Bond, equity and property funds offer enhanced returns over the longer-term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts (REITs): Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be minimised as part of daily Treasury Management procedures. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Other investments: The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected immediately in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment Limits: In order that the risk to the Authority's finances is further minimised in the case of a single default, a group of entities under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries. Group Investment can be found below.

Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

When calculating counterparty limits, the investment portfolio may be grossed up to include amounts that are being utilised by the Authority in lieu of borrowing (internally borrowed), as per the Authority's external advisor.

Liquidity management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast. The Authority will spread its liquid cash over providers (e.g., bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

The Section 151 Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements. Decisions taken on the core investment portfolio will be reported to Committee meetings.

Environmental, Social and Governance (ESG): The Council's approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and good governance considerations. These factors can collectively be termed 'ESG'. Integrating ESG will allow the Council to deliver on key goals and also improve the long-term resilience of the balance sheet, particularly as it is now increasingly clear that there are financial benefits to be gained in the long-term from recognising the impact of climate change, efficient energy consumption, sustainable resources, inclusion, diversity, equality and strong corporate governance.

Treasury Management Indicators 2021/22

Background

Treasury management indicators are not in the 2017 edition of the CIPFA Treasury Management Code itself but in the separate Treasury Management Code guidance notes for local authorities, which was last published in 2011. The Authority measures and manages its exposures to treasury management risks using the following indicators.

Treasury Management Indicators

1. Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A-

2. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in past 3 months without prior notice	**£15m**

3. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity Structure of Borrowing	Lower Limit 2021/22 %	Upper Limit 2021/22 %
Under 12 Months	0	90
12 Months and within 24 months	0	75
24 Months and within 5 years	0	75
5 years and within 10 years	0	75
10 years and over	0	100

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment, including LOBO loans, many of which have repayment options every six months.

4. Principal Sums Invested for Periods Longer Than a Year

The Council has placed an upper limit for principal sums invested for periods longer than a year. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£50m	£30m	£30m

Other Items Required by CIPFA to be included in the Treasury Management Strategy

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Authority has opted up to professional client with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Investment Advisors: The Authority continues to utilise an independent treasury advisor to provide the following services:

- Credit advice
- Investment advice
- Technical advice
- Economic & interest rate forecasts
- Workshops and training events

During 2021/22 a competitive tendering exercise completed to appoint an advisor for an initial 3 years starting on 01 April 2021, with the option to extend for up to a further 2 years. The advisor appointed was Arlingclose Ltd.

The Treasury Management Team within the Accountancy Services monitor the quality of the service provided.

Appendix 2. Investment strategy

Background Information

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose)

This investment strategy report meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the second and third of these categories. MHCLG have acknowledged the increase in commercial activities local authorities are engaged in. The revised guidance requires local authorities to clearly define their approaches and risk appetite for such activity and to gain approval from Council on an annual basis.

A separate report covering the Treasury Management Strategy will also be produced that fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG guidance.

A Commercial Strategy was approved by Cabinet on 26th November 2018. This strategy takes commercial approach to service design, management and decisions, encouraging innovation whilst optimising assets and services to exploit opportunities to generate income surplus for reinvestment and reduce costs. As part of this the effectiveness of the 'Investment & Change Board' and 'New Commercial Ideas Panel' in this regard, is assessed through the relevant committee'.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, may lead to a cash flow surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The daily balance of treasury management investments is expected to fluctuate between £20m and £50m during the forthcoming financial year.

Wirral Council defines its treasury management activities as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities. Investment returns contribute towards funding services, whilst reduced borrowing costs allow resources to be allocated elsewhere.

Further details: Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its subsidiaries e.g., Edsential Community Interest Co. (by way of a credit facility) and local businesses to support local public services and stimulate local economic growth.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Appropriate due diligence is undertaken on loan applications and collateral sought to offset risk. In order to further limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as per the table below. Loans should be self-financing with returns covering financing and administrative costs plus any return.

Table 1: Loans for service purposes – Estimate at 30 Sep 2021

Category of borrower	**31.3.2022 Estimate**			**2021/22**
	Balance Owing £000	**Loss allowance £000**	**Estimated Net figure in accounts £000**	**Approved Limit £000**
Subsidiaries	1,500	1,500	0	10,000
Local Businesses	350	350	0	10,000
TOTAL	**1,850**	**1,850**	**0**	**20,000**

Accounting standards require the Authority to set aside loss allowance (where appropriate) for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans. If in the future the authority actively markets itself as a provider of finance, it would need to assess the market that it would be competing in e.g., other local authorities and financial institutions. Prior to offering any loan facility the following factors are considered:

- Financial appraisal based on evidence obtained from credit agencies.
- Independent external advisor appointed in conjunction with procurement.
- Analysis of business plans.
- Appropriate interest rate calculation, including potential state aid implications; and
- The availability of any securities/collateral.

Service Investments: Shares

Contribution: The Council can invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. At present there are no such investments in place.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category will be determined as the need arises.

Risk assessment: The Authority will assess the risk of loss before entering into and whilst holding shares by the approach referred to above.

Liquidity: The maximum period for non-subsidiaries which funds may prudently be committed would initially be 12 months, but this would be subject to an ongoing review to best avoid the likelihood of capital losses.

Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits on share investments will therefore also be the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition covered by this requirement.

Commercial Investments: Property

Contribution: MHCLG defines property to be an investment if it is held primarily or partially to generate a profit. The Council invests in local commercial and residential property with profits that will be spent on local public services. Although there is increased national focus on property, councils have a long history of owning investment properties. Wirral's portfolio includes industrial estates, commercial and leisure properties.

Table 2: Property held for investment purposes – Estimate per 30 Sep 2021

Property	Actual	31.3.2022 Estimate	
	Purchase cost £000	**Gains or (losses) £000**	**Estimated Value in accounts £000**
Europa Boulevard	8,400	-2,450	5,950
Vue Cinema	6,800	-3,150	3,650
Other Investment Properties	9,482	-49	9,433
TOTAL	**24,682**	**-5,649**	**19,033**

The amount for other investment properties represents the latest valuation per the Statement of Accounts.

The Council's 'Strategic Asset Management Plan' sets out how the council will make the best use of its buildings and land in the future. This will be linked to future property purchase or consideration.

The Council is currently engaged in a joint venture agreement with Muse Developments to create the Wirral Growth Company the benefits being inward investment, regeneration, job creation and income generation to the authority. These growth priorities are reflected within the Wirral Plan 2025, which highlights ambitions to drive forward sustainable economic growth.

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Where value in the accounts is at or above purchase cost: An annual fair value assessment of the Authority's investment property portfolio is undertaken, and the underlying assets provide security for capital investment.

Where value in accounts is below purchase cost: The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and in these circumstances the Authority will take mitigating actions to protect the capital invested.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments. Refer to measures outlined above.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

The Authority has committed itself to make available a credit facility of £2 million to Edsential Community Interest Co. To date £1.5 million has been advanced. Under the terms of the existing agreement Edsential has until March 2026 to call upon the balance. Interest is earned by the Council on any sums advanced and is charged at an appropriate market rate.

Proportionality

The Authority plans to become partly dependent on profit generating investment activity to achieve a balanced revenue budget. The most significant income source will be the dividend payable by the Growth Company to the Council which will be determined by the Growth Company development plans. The table below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan. Regular budget monitoring and review of income to be achieved will highlight if expected net profit is in any doubt and if so that corrective budgetary action needs to be taken to minimise any potential impact on services.

Table 3: Proportionality of Investments

	2021/22 Forecast £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000
Gross service expenditure	330,000	311,000	320,000	330,000
Investment income	2,000	2,000	2,000	2,000
Proportion	0.61%	0.64%	0.63%	0.61%

The proportion is the investment income divided by the gross service expenditure.

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than, or in advance of, their needs purely in order to profit from the investment of the extra sums borrowed. The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

Capacity, Skills and Culture

Elected members and statutory officers: The Council has a dedicated 'Policy & Resources Committee' to review key financial matters. The Committee meets regularly with the Director of Resources, raises questions and receives briefings on latest developments. Financial training has been offered to all Members to aid decision making. Regular reporting and discussion of financial matters occurs with frequent meetings of Committee and Strategic Leadership team. Formal reporting is provided to Council and supporting committees. Reports undergo extensive review to ensure content is detailed and appropriate for the circumstance and relevant implications have been identified.

Decisions which have a financial impact must be approved by the Director of Resources (Section 151 Officer) or one of their authorised officers. Finance Officers are members of appropriate professional bodies such as the chartered Institute of Public Finance and Accountancy (or equivalent). Membership requires officers undergo continuous professional development and are subject to compliance with the regulatory frameworks laid down by professional institute. Officers are supported by properly regulated advisors and have access to latest guidance and best practice. Strategies and policies are approved to provide a framework for investment decisions to be made within.

Commercial deals: Commercial deals require initial approval from the Director of Resources. Governance arrangements include oversight from the Investment and Change Board (ICB), chaired by the Director of Resources. ICB membership includes senior officers from a range of disciplines including legal services. Decisions are also subject to member approval with governance arrangements in place to ensure reports contain appropriate detail to enable decisions to be made. Where appropriate external advice will be sought from experienced and suitably qualified experts.

Corporate governance: The Director of Resources has statutory responsibility for overseeing the Council's financial affairs and ensuring that robust controls are in place. The Director is supported by officers within and without the directorate. The Investment and Change Board assists with ensuring governance and oversight is in place. At member level there is a Policy & Resources Committee with responsibility for financial matters. The Council maintains appropriate risk registers and an Internal Audit function is maintained to provide appropriate challenge and review.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.

Table 4: Total investment exposure – Estimate per 30 Sep 2021

Total investment exposure	**31.03.2021 Actual £000**	**31.03.2022 Forecast £000**	**31.03.2023 Forecast £000**
Treasury management investments	46,800	30,000	30,000
Service investments: Loans	1,337	1,862	1,862
Commercial investments: Property	19,033	19,033	19,033
TOTAL INVESTMENTS	**67,710**	**50,895**	**50,895**
Commitments to lend	1,025	500	500
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**68,195**	**51,395**	**51,395**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 5: Investments funded by borrowing

Investments funded by borrowing	**31.03.2021 Actual**	**31.03.2022 Forecast**	**31.03.2023 Forecast**
Service investments: Loans	1,337	1,862	1,862
Commercial investments: Property	19,033	19,033	19,033
TOTAL FUNDED BY BORROWING	**20,370**	**20,895**	**20,895**

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investment rate of return (net of all costs) – Estimate 30 Sep 2021

Investments net rate of return	**2020/21 Actual %**	**2021/22 Forecast %**	**2022/23 Forecast %**
Treasury management investments	0.50	0.50	0.50
Service investments: Loans	4.75	3.33	3.33
Commercial investments: Property	4.45	4.45	4.45
ALL INVESTMENTS	**1.90**	**2.32**	**2.32**

Appendix 3. Capital Financing Strategy

Background Information

The Prudential Code 2017 introduced the requirement for a new report, the Capital Strategy, to be approved by Council. The intention is to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are, therefore, subject to both a national regulatory and local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2020/21 Actual	**2021/22 Forecast**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
	£000	£000	£000	£000	£000
General Schemes	41,184	72,164	56,791	28,406	5,310
Capital Investments	5,281	5,936	15,109	22,386	4,500
Total	**46,465**	**78,100**	**71,900**	**50,792**	**9,810**

* Forecasts per 31 Aug 2021

In 2022/23 a change in the accounting for leases and Private Finance Initiative (PFI) will be introduced. Any impact on the figures quoted above will be reported and revised indicators set.

Table 2: Significant Schemes included in the 2021/22 Capital Programme

Scheme	**£000**
MHCLG Capitalisation Directive	10,680
Aids, Adaptations and Disabled Facility Grants	6,856
Street Lighting Column - Replacement or Upgrade	5,203
Highway Maintenance	4,313
Housing Infrastructure Fund Marginal Viability (Northbank)	3,748
Future High Streets - Birkenhead	3,318
Extra Care Housing	2,874
Birkenhead Regeneration Delivery Fund	2,599
Schools Condition & Modernisation	2,564

* Forecasts per 31 Aug 2021

The Council applied to the MHCLG for a capitalisation directive known also as 'Exceptional Financial Support.' This would allow the Council to charge to capital additional COVID-19 related costs. Under normal accounting convention such costs would be a revenue item, but the exceptional COVID-19 circumstances and financial pressure placed on the Council have required us to seek capitalisation.

The Ministry have indicated that they are content to approve a capitalisation direction up to a maximum value of and £10.7m for 2021/22 subject to conditions. The Policy and Resources Committee as part of the 2021/22 Budget Report, included a recommendation to Full Council that:

The Council proceeds with the request for exceptional financial support with the conditions outlined in the letter from the Minister of State for Regional Growth and Local Government dated 2 February 2021.

The Council plans to incur £47.9 million of capital expenditure on investments over the forecast period. Of this £23.0 million is towards the development of the Maritime Knowledge Hub, £5.5 million towards the office development in the Birkenhead Commercial District, £12.9 million for the Wirral Waters Investment Fund, £4.8 million is to support the Strategic Acquisition Programme (SAP) and £0.7 million towards New Ferry Strategic Acquisitions. These projects aid the key economic goals and aspirations set out in the Wirral Growth Plan and Strategic Regeneration Framework (SRF). The balance of 1.0 million is for Business Investment Grants in support of inward investment and indigenous investment capital projects.

An extensive and long-term capital programme is the key to prevention, better run services and a reduced revenue commitment over time. Significant investment in assets will enable those assets to be used more efficiently and effectively and where there is a need, to generate a revenue return to support the revenue budget. Capital planning is one of the main drivers in future cost avoidance and there are schemes within the programme where initial investment from the Council will lead to reduced demand on the revenue budget, examples of which include the following:

- Telecare & Telehealth Ecosystem - With a population with more complex needs there is an opportunity to explore how we can support people to remain independent at an earlier stage and for longer with smart technology. Investing early on in things like smart homes this will not only see a reduction in reactive revenue costs in future years but will provide an opportunity for people to remain independent for longer

- Enterprise Resource Planning (ERP) System – the replacement of critical business systems with a smarter integrated solution that will not only improve the operational effectiveness of the Authority but will also help rationalise multiple contracts with different suppliers and produce budgetary savings in the process.

Capital funding is a key deliverable to regenerating the borough over the next decade. The Council's partnership with Wirral Growth Company will see significant investment right across the borough that will enable revenue income to be received that will replace lost grant funding and enable vital services to continue to be provided. As developments start to take shape, further income will be realised from new homes and new businesses in council tax and business rates which in turn will be re-invested to grow the local economy.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves, capital receipts and business rates growth generated within the Enterprise Zone) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 3: Capital Financing

	2020/21 Actual £000	2021/22 Forecast £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
External Sources - Grants	20,270	31,556	39,854	21,055	2,500
Own Resources - Capital Receipts, Revenue contributions	882	765	-	-	-
Debt - Borrowing	25,313	45,779	32,046	29,737	7,310
Total	**46,465**	**78,100**	**71,900**	**50,792**	**9,810**

* Forecasts per 31 Aug 2021

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP) repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The latest planned MRP repayments and use of capital receipts are as follows:

Table 4: Replacement of Debt Financing

	2020/21 Actual £000	2021/22 Forecast £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Minimum Revenue Provision	6,716	7,204	9,036	10,629	11,637
Capital Receipts - General Fund	783	744	-	-	-
Capital Receipts - MRDF	4,469	4,469	4,469	4,469	4,469
Total	**11,968**	**12,417**	**13,505**	**15,098**	**16,106**

*MRDF – Merseyside Residual Debt Fund which is due to be repaid in 2025/27.

**The Council's full Minimum Revenue Provision Statement is included at Appendix
1.

*** Forecasts per 31 Aug 2021

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £33.6 million during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

	31/3/2021 Actual £000	31/3/2022 Forecast £000	31/3/2023 Estimate £000	31/3/2024 Estimate £000	31/3/2025 Estimate £000
Total CFR	**362,649**	**396,261**	**414,308**	**428,453**	**419,163**

* Forecasts per 31 Aug 2021

In 2022/23 a change in the accounting for leases and Private Finance Initiative (PFI) will be introduced. Consequently, further assets and liabilities may be brought onto the Council's balance sheet and impact on the figures quoted above will be reported and revised indicators set.

Capital Bidding Process

As part of the overall budget process departments are given the opportunity to put forward new schemes that will be considered for inclusion in the capital programme. A business case submission form has been devised and refined by the Capital and Assets Group (CAG) and includes:

- The scope of the project
- Benefits, objectives and strategic alignment
- Potential constraints and mitigations
- Timescales
- Financial Implications including any ongoing revenue requirement
- Monitoring and evaluation

New capital requests are prioritised for schemes relating to the following:

- Essential Health and Safety/Disability Discrimination Act schemes.
- Invest to save schemes, including those developed with the intention of avoiding future cost pressures.
- Those considered to be of a strategic nature, as agreed with the Investment and Change Board.

- Those that support the Council's Climate Emergency Action Plan following the declaration of a Climate Emergency by the Council in May 2019
- Schemes that reflect Council priorities that could have wider economic benefits that link in with the Wirral Plan.
- Where external grant funding becomes available to fully fund schemes.

Governance

Investment and Change Board (ICB) – The ICB acts as the portfolio board for the Council's overall investment in change and the benefits delivered. Chaired by the Director of Resources / Section 151 Officer, its membership is made up of Senior Responsible Owners of the Council's major strategic programmes. ICB reviews the business cases for major projects as well as monitoring approved projects through implementation.

Regeneration & Place Programme Board – This Board has been set up to provide oversight of all regeneration Programmes that fall within scope of the Regeneration & Place Directorate including Wirral Growth Company, Wirral Waters, Local Plan and Strategic Transport. The Regeneration & Place Board is key to managing the interdependencies of these programmes to ensure alignment. The Board should review 'place-based' business cases before they are taken to ICB.

Technical Design Authority (TDA) – Chaired by the Head of Business Change the TDA acts as the gateway for all IT hardware and software proposals to ensure coherence with the digital strategy and Council's target operating model. The TDA reports to ICB.

An overall summary of the various recommendations from ICB is then produced for consideration by the Strategic Leadership Team (SLT) of Chief Officers. This provides the opportunity for any comment/amendment and strategic input prior to a final report being prepared for Members' consideration at Policy & Resources Committee for eventual consideration by and formal approval by full Council.

Capital bids can be submitted throughout the financial year for consideration, rather than just having one fixed programme at the start of the year. This enables to Council to react to changing service requirements or incidents as they occur. Likewise, this flexibility in bid submissions allows for the possibility of new bids or supplementary bids, should the resource requirements of an existing bid change after inception. There may also be new opportunities for the Council to bid for external resource e.g., grants that become apparent during the year and the Council needs to be able to react to such potential.

Full details of the Council's capital programme are presented in a separate report to this Policy & Resources Committee and Council.

Regular monitoring of the capital programme is undertaken by the finance department in liaison with the officers responsible for delivery of the capital projects. This information is presented to the Capital & Assets Group and is formally reported to Policy & Resources Committee and Council on a quarterly basis. This quarterly report also includes any new requests for funding that may have been reviewed by both the Capital & Assets Group and the Investment & Change Board.

Asset Management

To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in development building on its 2020 Asset Vision. The strategy will set the high-level framework for managing Wirral's Public Sector land and property for the future. It is being developed to guide the collective strategic asset decisions of all partners and seeks to maximise efficiencies through a collaborative approach to the use and management of the whole asset portfolio.

The strategy centres on the continual corporate review the Wirral estate of assets with the aims of:

- explore every opportunity to reduce asset and related costs
- streamlining processes
- improving asset performance
- generate income by adopting a commercial-minded approach to running Council business
- alignment with the significant regeneration plans for the Borough
- flexibility of asset use as service delivery requirements evolve

Such asset flexibility has been applied throughout the COVID-19 pandemic, as the Council has successfully utilised various sites across the Borough such as in Bromborough and Bebington as part of its emergency response with partner organisations.

The Authority will continue to work with partner organisations to share and develop assets to deliver strategic goals and objectives around business, people and the environment, these include Wirral Chamber of Commerce, private investors, community and friends' groups and other public bodies such as Higher Education, NHS, Police, Fire and Ambulance.

Examples of this sharing of resources to provide improved effective service provision include a co-location project to deliver community police stations from Council premises and a successful Multi-Agency Safeguarding Hub operates from a former municipal office with benefits being felt across the partnership. Future plans include sharing accommodation space with health partners.

The Asset Strategy Model:

This consists of the following elements:

- All assets are managed strategically.
- Supports economic growth.
- Supports service delivery.
- A modern commercial business.
- Supports communities and partners.
- Provides value for money.
- Assets are flexible and adaptable.

Asset Disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until the end of 2024/25. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £0.7 million of capital receipts in the coming financial year as follows:

Table 6: Capital Receipts Generated

	2020/21 Actual £000	2021/22 Forecast £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Asset Sales	327	744	2,930	TBC	TBC
Loans Repaid & Right To Buy	456	TBC	TBC	TBC	TBC
Total	**783**	**744**	**2,930**	**-**	**-**

* Forecasts per 31 Aug 2021

TBC - To be confirmed.

The Council's Flexible Use of Capital Receipts Policy is attached at Appendix 2.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

As a consequence of decisions to approve past capital programmes, the Council currently has £189 million borrowing at an average interest rate of 5.24% and £51 million treasury investments (as at 30 September 2021).

Borrowing Strategy

The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between low-cost short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5% to 2.5%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt from local government reorganisation are shown below, compared with the capital financing requirement (see above).

Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/2021 Actual £m	31/3/2022 Forecast £m	31/3/2023 Estimate £m	31/3/2024 Estimate £m	31/3/2025 Estimate £m
Debt	291.8	286.8	310.0	336.0	336.3
Capital Financing Requirement	362.6	396.3	414.3	428.5	419.2

* Forecasts per 31 Aug 2021

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 7, the Council expects to comply with this in the medium term.

Affordable Borrowing Limit

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m
Authorised Limit - Borrowing	492	489	477	464
Authorised Limit - PFI and Leases	65	63	61	59
Authorised Limit - Total External Debt	**557**	**552**	**538**	**523**

Operational Boundary - Borrowing	482	479	467	454
Operational Boundary - PFI and Leases	60	58	56	54
Operational Boundary - Total External Debt	**542**	**537**	**523**	**508**

* Forecasts per 31 Aug 2021

Further details on borrowing can be found in the treasury management strategy statement.

Treasury Investment Strategy

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Authority may request its money back at short notice.

Further details on treasury investments can be found in the treasury management strategy statement.

Treasury Risk Management

The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Treasury Governance

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Policy &

Resources Committee, and for the execution and administration of treasury management decisions to the Director of Resources who will act in accordance with the Council's Strategy Statement, Treasury Management Practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

Further details on the "Policy of Delegation" can be found in the treasury management strategy statement.

The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

Investments for Services Purposes

The Council lends money to its subsidiaries e.g., Edsential Community Interest Co. (by way of a credit facility) and local businesses to support local public services and stimulate local economic growth. Loans should be self-financing with returns covering financing and administrative costs plus any return.

Governance of Investments for Service Purposes

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Appropriate due diligence is undertaken on loan applications and collateral sought to offset risk. In order to further limit this risk and ensure that total exposure to service loans remains proportionate to the size of the organisation, upper limits on the outstanding loans to each category of borrower have been set. Any such investment must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details about these types of investments can be found in the Investment Strategy Statement.

Commercial Activities

The Council can invest in local commercial and residential property with the intention of making a profit that will be spent on local public services. Although there is increased national focus on property, councils have a long history of owning investment properties. Wirral's portfolio includes industrial estates, commercial and leisure properties. Total commercial investments are currently valued at £19.0 million.

Governance of Commercial Activities

The Strategic Asset Management Plan sets out how the Council will make the best use of its buildings and land in the future. This will be linked to future property purchase for consideration.

In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

The Authority assesses the risk of loss before entering into and whilst holding property investments and has appropriate credit control arrangements in place to recover overdue repayments.

Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details about commercial activities can be found in the Investment Strategy Statement.

Liabilities

In addition to the forecast debt of £287 million detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £551.6 million at 31 March 2021). Actuarial valuations are carried out every three years. Contributions are set with a view to targeting the Fund's solvency.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021 /22 Forecast	2022 /23 Estimate	2023 /24 Estimate	2024 /25 Estimate
Financing Costs (£m)	17.69	19.35	20.88	22.31
Proportion of net revenue stream	5.89%	6.27%	6.69%	6.99%

* Forecasts per 31 Aug 2021

Sustainability

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.

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 re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2021/22 Programme. Any such delays will impact on the delivery of the intended outcomes of capital schemes.

Knowledge and Skills

The structure of the Council ensures that professionally qualified and experienced staff are in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources is a qualified accountant. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, RICS.

Where Council staff do not have the knowledge and skills required use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Avison Young as property consultants, Lambert Smith Hampton for property valuations/appraisals/disposals and external legal firms and Counsel as legal consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

2021/22 MINIMUM REVENUE PROVISION (MRP) STATEMENT

1.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the

Ministry for Housing, Communities and Local Government's (MHCLG) Guidance on Minimum Revenue Provision most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

1.4 For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure based on the expected useful life of the relevant assets using an annuity method, (Option 3 in England and Wales).

1.5 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset or as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the expenditure has been incurred.

1.6 For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

1.7 The Council, if it considers it prudent for a particular financial year, will set aside capital receipts to be offset by the matching MRP liability amount.

1.8 With regards to loans granted by the Council no MRP will be charged on them. The MRP will be equated to the principal repayment of the individual loans.

1.9 Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23.

2.0 The MRP Statement will be submitted to Council before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2021, the budget for MRP has been set as follows:

	31.03.2021 CFR £m	2021/22 Estimated MRP £m
Supported Capital Expenditure	170.2	0
Unsupported Capital Expenditure	130.8	4.5
Finance leases and Private Finance Initiative	36.9	2.7
Transferred debt	24.8	4.9
Total General Fund	**362.7**	**12.1**

Flexible Use of Capital Receipts Strategy 2021/22

Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applies to the financial years 2016/17 through to 2019/20. In the Provisional Local Government Settlement 2018/19 (announced 19 December 2017) the Government confirmed that the flexibility to use capital receipts to help meet the revenue costs of transformation will be extended for a further 3 years to April 2022. The Guidance requires local authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. This document constitutes the Wirral Council Strategy.

The Guidance

The Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. Following the Provisional Settlement announcement 19 December 2017, the period of offer is 1st April 2016 to 31st March 2025. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

The Guidance provides a definition of expenditure which qualifies to be funded from the capital receipts flexibility. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or

demand for services in future years for any of the public sector delivery partners.
There are a wide range of projects that could generate qualifying expenditure. The key determining criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure. Within the above definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

The Council's Proposals

The Council intends to use the capital receipts flexibility to fund, or part fund the following project:

Service Transformation Programme – Examples of suitable projects to which Capital receipts may be applied include:

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.

The expected receipts to be allocated to this project are set out in the table below.

	2021/22 **£m**	**2022/23** **£m**
Service Transformation Programme	0.744	TBC

The Prudential Code

The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed project. The capital expenditure prudential indicators will be amended and approved as appropriate.

The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this project within the Council's Statement of Accounts.

Monitoring the Strategy

The strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure is incurred.

Appendix 4. Risk Register

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description
A thriving and inclusive economy, creating jobs and opportunities for all.	CRR 01	**Development and Implementation of the Local Plan 2022-2037** - Failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan resulting in intervention, a loss of control over future development and missed opportunities to promote economic growth.
	CRR 02	**Regeneration Programme -** The failure of the major regeneration projects to deliver the anticipated benefits undermines the Council's budgetary position, its economic growth aspirations and public and investor confidence in the authority.
A clean-energy, sustainable borough, leading the way in tackling the environment crisis.	CRR 03	**Climate Emergency Response -** Failure to respond effectively and proportionately to develop plans/adaptations that may lead to legal challenge, financial damage, reputation damage, increased costs, lack of resilience
Safe and pleasant communities that our residents are proud of. **Healthy and active lives for all, with the right care, at the right time.**	CRR 04	**Response to a Crisis/Disruptive Incident (both internal and external) -** Failure to maintain effective response arrangements and plans (and incorporate COVID-19 measures) to react to a disruptive event leaves the Council unable to respond quickly and effectively to an incident, resulting in a major failure in service delivery
	CRR 05	**Ongoing COVID-19 Response - Planning and Increased Cases/Winter Plans** - Failure to use intelligence effectively leads to an inability to respond effectively to a local outbreak resulting in continuing or wider restrictions, increased infection and mortality rate increases, longer term health risks, key council services unavailable, people (staff and public) at risk, increased costs, government intervention and loss of trust/support
	CRR 06	**Partnership Working -** Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position
	CRR 07	**Significant Safeguarding Incident -** The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description
	CRR 08	**Quality & Demand Management in Health and Care Services -** Failure to improve the quality of health and care services, anticipate demand particularly in the winter period leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need.
	CRR 09	**Health Inequalities -** Failure to understand and manage health inequalities leads to increased costs, earlier involvement with and pressure on services and long-term issues for the community
Brighter futures for all regardless of their background.	CRR 10	**Education - School Sufficiency and Placements** - Failure to secure appropriate and balanced school sufficiency (too many/too few places) impacting on the financial viability of education institutions and resulting in children not able to be educated within their local community, declining performance, and poor educational outcomes for children
	CRR 11	**SEND -** Failure to appropriately and effectively identify, assess, meet the need and improves outcomes for children and young people with Special Educational Needs and Disabilities resulting in a statement of action from Ofsted, poor school inspection outcomes, children do not reach their full potential and reputational damage for Children's Services and the Council
	CRR 12	**Preventative Activity in Health and Care Services -** Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing.
	CRR 13	**Impact of COVID on Education -** Impact of COVID on educational outcomes leads to increasing gap between the borough's disadvantaged children and non-disadvantaged children, poorer long-term outcomes for some of the most vulnerable children
We will be ambitious, professional, customer-focused and accountable	CRR 14	**Capitalisation Directive -** Failure to obtain agreement from MHCLG to progress the Council's request for exceptional financial support in respect of the financial impact of COVID-19, in the form of a capitalisation directive, and obtain requisite approval by HM Treasury (HMT) leads to financial remedial measures that could include:• setting an emergency budget• issuing a s. 114 notice• Government intervention
	CRR 15	**Financial Resilience/Management -** Failure to effectively plan/manage the Council budget and funding leads to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the withdrawal of Council services to communities, government intervention, S114 declaration.

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description
	CRR 16	**Non-Compliance with Policies and Procedures -** Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to legal challenge, financial penalty and ultimately loss of life.
	CRR 17	**Cultural Change for an Effective and Efficient Organisation -** Failure to maintain the cultural changes necessary (due to insufficient capacity or expertise, cultural resistance from staff) leads to difficulties in developing an efficient, effective, and long-term financially sustainable organisation resulting in ineffective engagement with partners, unable to deliver on the ambition of the Wirral Plan, perpetuating inefficiencies and preventing required outcomes for the community.
	CRR 18	**Effective Governance -** Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council
	CRR 19	**Health & Safety Management -** Failure of officers, members or contractors to develop, test or sufficiently adhere to health and safety / compliance policies and procedures leads to an incident or exposure resulting in harm to employees / Members / members of the public, legal challenge and reputational damage
	CRR 20	**Cyber Security -** IT security is insufficient to deter, detect and prevent unauthorised access (internal and external) to IT systems, resulting in loss of data and disruption to Council services.
	CRR 21	**Information Management -** Failure to comply with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational risk.
	CRR 22	**Digital Infrastructure -** Quality of Digital infrastructure and systems prevents council from offering/transforming to digital first services, lack of management information/timeliness of data resulting in poor decisions and increased costs.

Appendix 5. Reserve Strategy (subject to approval)

1. Executive Summary

1.1 Wirral Council is maintaining adequate reserves for two main purposes:

1. To protect against risk, and;
2. To support investment

1.2 This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate sustainable returns.

1.3 At present the risks associated with overall changes in Local Government funding, and the need to invest now to realise returns in the medium term, increase the need to hold reserves in the short term. The Reserves Strategy presents information about the requirements to maintain financial reserves and provides statements on the types of reserves and current and predicted balances.

1.4 The Strategy is revised annually, in line with the process to determine the Council's Budget and sets out a clear purpose for the holding of reserves, using risk assessments and setting out principles for the management of balances in the medium term.

1.5 This draft strategy represents the latest position, following a review of the balances previously held, to ensure they meet the needs of Wirral Council. Additional detailed analysis of trends within the Council's finances will be provided in the Council's Value for Money report demonstrating the sound financial position of the Council.

Shaer Halewood

Director of Resources and Section 151 Officer

2. Types of Reserves

When reviewing medium term financial plans and preparing annual budgets the Council considers the establishment and maintenance of reserves. Two types of Revenue Reserves will be held:

2.1 General Reserves

This represents the non-ring-fenced balance of Council funds. There are two main purposes of general reserves: firstly, to operate as a working balance to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing; and secondly to provide a contingency to cushion the impact of emerging events or genuine emergencies. The target level of reserves retained will be risk based. General Reserves must be adequate and will increase and decrease as follows:

2.2 Increasing General Reserves

- Planned repayment as set out in the Medium-Term Financial Strategy, usually to recover to an adequate level in relation to a detailed risk assessment, or to prepare in advance for future risks or investment.
- Allocation of an operating surplus at the close of the financial year.

2.3 Decreasing General Reserves

- Planned draw-down of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.
- Allocation of an operating deficit at the close of the financial year.

2.4 Earmarked Reserves

These provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Discipline is required around setting up and maintaining earmarked reserves and this Strategy sets out the Council's approach to this. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on specific intended purposes.

2.5 Assessing the Adequacy of Reserves

2.5.1 In order to assess the adequacy of unallocated general reserves when setting the budget, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority.

2.5.2 The Council will therefore adopt formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control.

2.5.3 The financial risks will be assessed in the context of the Authority's overall approach to risk management. There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts.

2.5.4 The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control, as required by professional standards.

2.5.5 Setting the level of general reserves is just one of several related decisions in the formulation of the Medium-Term Financial Strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.

2.5.6 Below we have set out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow. These factors can only be assessed properly at a local level. A considerable degree of professional judgment is required. The Section 151 Officer may choose to express advice on the level of balances in cash and / or as a percentage of budget (to aid understanding), so long as that advice is tailored to the circumstances of the Authority for that particular year.

Advice will be set in the context of the Authority's process to manage medium term financial stability and not focus on short term considerations, although balancing the annual budget by drawing on general reserves may be a legitimate short-term option. However, where reserves are to be deployed to finance recurrent expenditure, this should be made explicit and will occur only to stimulate the local economy through investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium-Term Financial Strategy.

The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. A review of the levels of earmarked reserves will be undertaken as part of quarterly revenue reporting and the annual budget preparation.

2.5.7 Budget assumptions

Key budget assumptions

1. The treatment of inflation and interest rates
2. Estimates on pay inflation
3. Estimates on funding increases i.e., Council Tax and social care precepts
4. Estimates of the level and timing of capital receipts
5. The treatment of demand led pressures
6. The treatment of planned efficiency savings / productivity gains
7. The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements, regeneration projects or major capital developments

8. The availability of other funds to deal with major contingencies and the adequacy of provisions
9. Level of subsidy of non-statutory services

Financial resilience, governance and financial standing

10. The overall financial standing of the Authority (including level of borrowing, debt outstanding and council tax collection rates)
11. The Authority's track record in budget and financial management including the robustness of the medium-term plans
12. The Authority's capacity to manage in-year budget pressures
13. The strength of the financial information and reporting arrangements
14. The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level
15. The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

2.6 General Fund Reserves (Revenue)

The purpose of general reserves is to minimise the possible financial impacts to the Authority from:

- Emergencies
- In-year emerging financial issues
- Reacting to investment opportunities

2.6.1 The Finance Procedure Rules set the parameters for the use of general reserves. The in-year use of general reserves requires Council approval and must not be used for any level of recurring spending unless that spending will be included in revenue budgets in the following financial year or a suitable payback period is agreed in advance. In all cases the use of reserves should be approved by the Section 151 Officer.

2.6.2 General Fund Opening Balances

The 2021/22 Budget anticipated that the Council would hold general reserves of £10.68m (3.2% of net revenue budget).

Following a review of the risk assessed minimum level requirement general reserves will remain at £10.68m at 31st March 2022. It is anticipated that the Council will hold general reserves at a minimum between of £10.68m and £17.29m by 2027, as calculated in the table below. This is based on achieving a general fund balance of between 3.2% and 5% of net revenue budget by 2027.

	Forecast closing 2022/23 £m	Forecast closing 2023/24 £m	Forecast closing 2024/25 £m	Forecast closing 2025/26 £m	Forecast closing 2026/27 £m
General Reserves	13.18	15.44	16.21	17.20	17.29
Earmarked Reserves	51.17	51.17	51.17	51.17	51.17
Total Reserves	**64.34**	**66.61**	**67.38**	**68.37**	**68.46**

2.6.3 Estimated Movement in Reserves (2021/22 onwards)

2.6.4 The table below summarises the current estimated movements in general reserves from 2022 to 2027.

2.6.5 The level of reserves needed is assessed each year according to the risks facing the Authority. During 2019 CIPFA published a financial management code designed to support the Local Government sector as it faces continued financial challenge, the Code recognises ‘that using the financial reserves to finance a deficit or to avoid difficult decisions around spending cuts provides temporary relief but is not sustainable in the long term.’

2.6.6 This guidance from CIPFA follows the National Audit Office (NAO) report on financial sustainability in local authorities. This indicated that there is a heightened risk of more Council’s over the coming years falling into special measures as a result of not reconciling the pressure on budgets as has been the case for Wirral and the support from MHCLG for both 2020/21 and 2021/22. The reserves position will continue to be monitored and reviewed during 2022/23 to ensure the risk range remains between £64m and £69m, with the strategy being to increase them over the next five years to £69m which is approximately 20% of net revenue budget. This is due to a cumulative impact of the overall increase in the size of the budget and the ability to make accurate predictions for later years without indications from government of future settlements.

2.6.7 The level at which reserves are set for 2021/22, reflects the aim of Wirral Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short term cashflow

2.7 General Fund Reserves Risk Assessment

2.7.1 The risks facing each local area will vary. In the case of Wirral, the impact of rising demand for services, the economic climate, Brexit, emerging Government policies (particularly in relation to business rates), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk.

2.7.2 The minimum target level of reserves is being quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts. Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume an appropriate level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year thereby smoothing the impact on our residents.

2.7.3 Risks will be categorised, and potential values applied to them. This presents the potential exposure to financial risk. The assessment will look at risk areas and the level of reserves Wirral Council should retain to mitigate those risks. In each case the value of the risk retained will be calculated as a percentage of the potential impact. The percentage is based on the likelihood of the risk actually achieving that total impact in any year. Changes to the Local Government financial settlement may create funding deficits, and the medium-term strategy of the Council has been produced to deliver a balanced budget in future years however there is risk associated with this. Risks associated with this are for example:

- The capacity of the organisation to deliver proposed growth or achieve the proposed level of savings entirely.
- Potential underachievement of cost reduction targets following consultation processes.
- Demand for services rising above estimated trends.
- Changes to Government settlements.
- Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
- Regeneration schemes place demand on revenue that is unplanned.
- Maintained schools are predicting significant deficit budget positions in their three-year forecasts as a result of staffing costs and special educational needs costs increasing at a faster rate than funding.
- It is also possible that a number of events could happen in a single year and the Council could be exposed to new unidentified risks.

Risks will be included and managed using the following basic principles:

1. The risk may impact within the medium term.
2. Risks are potential one-off events
3. Mitigating actions will be in place to minimise the potential requirement for financial support.
4. If a risk becomes 100% likely it will be included within appropriate Revenue Budget estimates.
5. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

2.7.4 Adequacy of General Fund Reserves

The Local Government Finance Act 1988 and 1992 and the Local Government Act 2003 emphasises the importance of sound and effective financial management in England and Wales by the statutory duty of the Section 151 Officer to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves.

CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their Section 151 Officer. There is no statutory or recommended minimum level of reserves as they are established by the Section 151 Officer making judgements on such matters taking into account all the relevant known and expected local circumstances. Imposing a statutory minimum would therefore be against the promotion of local autonomy and would conflict with the financial freedoms offered to local authorities. The Secretary of State in England has reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Section 151 Officer. The Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently and disregards the advice of its Section 151 Officer.

2.8 Earmarked Reserves

2.8.1 The purpose of an earmarked reserve is:

- To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- To set aside amounts for projects which extend beyond one year.

2.8.2 Once Earmarked reserves have been established by Wirral Council it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose. The table below sows the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

2.8.3 For each earmarked reserve held by the Council there will be a clear protocol setting out:

- the purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve’s management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

2.8.4 When establishing reserves, the Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions. The protocol for Wirral Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.

2.8.5 Earmarked Reserves will be:

- Approved by Full Council, on recommendation by the Section 151 Officer;
- Supported by a business case;
- Reserves are sub classified into ringfenced and non-ring fenced; and
- All are reviewed at least annually.

2.8.6 Services may also carry forward balances in accordance with Financial Procedure Rules. Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Wirral Council's earmarked reserves are subject to annual review, at least as part of the budget setting process and year-end to ensure that they are still appropriate, relevant and adequate for the intended purpose.

2.8.7 The 2021/22 position on earmarked reserves are reported in the quarterly to P&R Committee. All reserves will be subject to revised business cases to ensure that only the required levels are carried over into 2022/23. At 1st April 2022, it is anticipated that balances on existing earmarked reserves held by the Council will be circa £51m. The table above under General Fund Reserves shows the position of the estimated future cumulative reserves.

2.9 Capital Reserves

Capital receipts received in-year are fully applied to finance the capital programme. A small amount of capital receipts are held in reserve to cover future commitments where receipts are to be used flexibly to fund transformational projects. Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

2.10 Reserve Conclusion

2.10.1 Overall, Wirral Council is establishing reserves that allow any unexpected costs to be mitigated where possible and this can only be done by increasing the General Fund Reserves and ensuring Earmarked Reserves are required and reviewed annually. The Council is aiming to grow its reserves to build bolster its need for greater financial resilience whilst retaining flexibility to support services and reduce the burden on the taxpayer.

2.10.2 This approach can be supported during the medium term based on recent performance against budget. This recognises local issues and allows the Section 151 Officer to report favourably on the adequacy of reserves. The maintenance of protocols around the use of balances improves control and increases openness in financial reporting and management. This approach assists with financial planning and increases understanding of the Council's financial position. Reserves' positions will continue to be reviewed throughout the financial year.

Appendix 6. Strategies

1. https://www.wirral.gov.uk/parking-roads-and-travel/transport-policy/wirral-traffic-network-management-plan

2. https://www.wirral.gov.uk/parking-roads-and-travel/roads-and-pavements/road-maintenance/managing-wirral%E2%80%99s-road-infrastructure

3. Internal Audit Strategy 2021

4. Risk Management Policy 2017

5. Library Strategy 2020-25

6. All Age Disability Strategy

7. Wirral Homelessness Strategy

8. Community Safety Strategy