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WIRRAL

Policy and Resources Committee

Date:	**Tuesday, 13 February 2024**
Time:	**6.00 p.m.**
Venue:	Committee Room 1 - Birkenhead Town Hall

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This meeting will be webcast

AGENDA

1. **WELCOME AND INTRODUCTION**

2. **APOLOGIES**

3. **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

   Members are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

4. **MINUTES (Pages 1 - 6)**

   To approve the accuracy of the minutes of the meeting held on 17 January 2024.

5. **PUBLIC AND MEMBER QUESTIONS**

5.1 **Public Questions**

Notice of question to be given in writing or by email by Thursday 8 February to the Council's Monitoring Officer (via the online form here: Public Question Form) and to be dealt with in accordance with Standing Order 10.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question by the deadline for submission.

For more information on how your personal information will be used, please see this link: Document Data Protection Protocol

5.2 **Statements and Petitions**

Notice of representations to be given in writing or by email by 12 noon, Thursday 8 February to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.1.

Petitions may be presented to the Committee if provided to Democratic and Member Services no later than 10 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Mayor.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your statement/petition by the deadline for submission.

5.3 **Questions by Members**

Questions by Members to dealt with in accordance with Standing Orders 12.3 to 12.8.

SECTION A - BUDGET

6. 2024/25 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY (Pages 7 - 126)

7. CAPITAL PROGRAMME 2024-29 (Pages 127 - 152)

8. CAPITAL FINANCING STRATEGY 2024/25 (Pages 153 - 170)

9. TREASURY MANAGEMENT STRATEGY 2024/25 (Pages 171 - 208)

10. INVESTMENT STRATEGY 2024/25 (Pages 209 - 222)

11. 2023/24 BUDGET MONITORING FOR QUARTER THREE (THE PERIOD TO 31 DEC 2023) (Pages 223 - 238)

SECTION B - KEY AND OTHER DECISIONS

12. PROCEDURE FOR BUDGET DECISION MEETING OF COUNCIL (Pages 239 - 252)

Policy & Resources Committee Terms of Reference

The terms of reference for this committee can be found at the end of this agenda.

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POLICY AND RESOURCES COMMITTEE

Wednesday, 17 January 2024

Present:	Councillor	P Stuart (Chair)	
	Councillors	J Robinson	H Cameron
		P Gilchrist	S Mountney
		EA Grey	L Rennie
		A Davies	P Cleary
		S Powell-Wilde	H Gorman
		T Jones	J Bird
		JE Green	J McManus

95 **WELCOME AND INTRODUCTION**

The Chair welcomed everyone to the meeting as well as those watching the webcast.

96 **APOLOGIES**

Apologies for absence were received by Councillor Janette Williamson. Councillor Julie McManus was in attendance as substitute.

97 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Councillor Jeff Green declared a personal interest by virtue of a family member employed by Peel LLP.

98 **MINUTES**

Resolved – That the minutes of the meeting held 13 December 2023 be approved as a correct record.

99 **PUBLIC AND MEMBER QUESTIONS**

The Chair informed Members that no public or Members questions, statements or petitions had been received.

100 **REPORT OF THE INDEPENDENT ASSURANCE PANEL**

The Chair of the Independent Assurance Panel attended virtually and presented the third update report. The Panel had been set up to oversee the Council's improvement in response to the external assurance review commissioned by the Department for Levelling Up, Housing and Communities (DLUHC) which was published in November 2021. The External Assurance Review was undertaken as a condition of the Council's request for exceptional finance support in 2020-21 and 2021-22.

The Chair of the Independent Assurance Panel Informed Members that they had been very encouraged by the progress of the Council over the last six months, noting that the draft Medium Term Financial Strategy and Wirral Plan had been considered by the Panel and were now better aligned.

The Chair of the Panel raised concerns regarding the delivery of the Capital Programme, specifically the regeneration programme and noted that a robust financial monitoring framework should be in place to provide assurance. General improvements noted were better cross-party working, and improved trust in the financial figures received by Members.

Members were advised that the Panel were to meet with Group Leaders and council officers following Budget Council, after which it was hoped that support would led by the Local Government Association.

The Chair proceeded to thank the Panel for the support and challenge provided by them over the years and noted that whilst Local Government Settlement had not been the figure that officers had anticipated, they were confident of a balanced budget for 2024/25. The Chair also voiced his appreciation for the increase in cross-party working and support from Group Leaders and Members for during both Budget setting discussions and in formulating the new Wirral Plan 2024-27.

These comments were echoed by Members who endorsed the increased level of trust and cross-party working across the Council. Members also noted the requirement to monitor the regeneration projects, as well as further development of the Performance Management Framework which formed part of the Council Plan 2024-27.

Resolved – that the content of the letter be noted.

101 COUNCIL TAX BASE CALCULATION

The Director of Finance presented the report which brought together related issues regarding the Council Tax Base for 2024/25 upon which the annual billing and Council Tax levels would be set.

Members were informed that the report set out how the Council Tax Band D equivalent was calculated, by considering changes such as new builds, demolitions, discounts and exemptions as well as the empty property discount. A further calculation was then undertaken with the expected collection rate. Members were informed that the collection rate had gone down marginally based on last year and it was assumed that the cost of living crisis had made a small impact on collections. The Director of Finance explained that the income generated via Council Tax collection was forecast to be just over £180m which represented 45% of the Council's funding.

Resolved – that the figure of 95,993.93 as the Council Tax Base for 2024/25 be approved.

102 COUNCIL TAX 2024/25 LOCAL COUNCIL TAX REDUCTION SCHEME, DISCOUNTS AND EXEMPTIONS

The Director of Finance presented the report which brought together related issues regarding the proposed Council Tax Discounts including Local Discounts, Exemptions, and the Local Council Tax Reduction Scheme to be used during 2024/25. Members were informed that approval was required by Council before 11 March 2024.

Members were advised that whilst the report was similar to reports presented in previous years, there were two additional changes recommended for 2024/25. This included increasing the empty property premium for premises that had been empty for more than one year to 200%, as well as a proposed change to the treatment of second homes (dwellings that are furnished but are not someone's sole or main residence). In regards to the latter change, Members were informed that a year's notice had to be provided, so the earliest this change could come into effect would be 2025.

Members voiced their approval that provision of Care Leavers Discount, the 100% discount awarded to Wirral Women's and Children's Aid and the Discretionary Hardship Relief Scheme was to continue. Also discussed was the number of empty properties in Wirral, including those of social landlords, were it was noted that empty properties can lead to Anti-Social Behaviour. Members were also informed that the projected figures for the Empty Home Premium was just under £1m, however due to the 12 months' notice people may choose to find different uses for their second home before the premium was applied.

Members also discussed the subject of housing, as well as the governance and oversight of housing issues within the Council and it was noted that the work programme for the Economy, Regeneration and Housing Committees had housing reports programmed for future consideration.

RECOMMEND – to Council that,

The level and award of each local discount for 2024/25 be as follows: -

1.Wirral Women's & Children's Aid

To continue to award Wirral Women & Children's Aid 100% discount. This remains unchanged from 2023/24.

2. Care Leaver's Discount

To award Care Leavers the requisite discount to reduce their Council Tax liability to zero until they are 25. This remains unchanged from 2023/24.

3. Empty Property Discounts 2024/25

Discount category D = 0% Full charge on properties undergoing renovations.

Discount category C = 0% Full charge on empty properties from date they become unoccupied.

Both to remain unchanged from 2023/24, and to include an exception for properties requiring adaptations to meet the need of a disabled person who will be occupying the property as soon as the adaptations are complete. This also applies to properties awaiting renovations prior to being occupied by someone under Ukraine resettlement scheme.

To reduce the Empty Property Premium from 2024/25 to properties that have been empty for more than one year (Currently Two).

So that the following apply: -

100% (200% Council Tax) for unfurnished properties empty for more than one year.

200% (300% Council Tax) for unfurnished properties empty more than five years.

300% (400% Council Tax) for unfurnished properties empty more than ten years.

4. Council Tax Discretionary Hardship Relief Scheme

The Council Tax Discretionary Hardship Relief Scheme, approved by Cabinet in October 2013, to continue in its current format for 2024/25.

The Scheme offers help and assistance in exceptional cases of hardship. Appendix 1

5. Local Council Tax Reduction Scheme (LCTRS)

The current Local Council Tax Reduction Scheme to remain unchanged from 2023/24 apart from the following:

a. The scheme to be aligned to all the Department of Work and Pensions uprating's and changes for Housing Benefit and Universal Credit.

b. There to be no loss of entitlement due to payments made under government defined compensation schemes.

6. Changes to the treatment of second homes (dwellings that are furnished but are not someone's sole or main residence)

From 1 st April 2025 the council to charge an additional 100% council tax (200% Council Tax) for any person with a second home within Wirral.

103 **CAPITAL MONITORING QUARTER 3 2023/24**

The Director of Finance presented the report which provided Members with an update on the progress of the Capital Programme 2023/24 at the end of December 2023.

The report recommended that Committee agreed the revised 2023/24 Capital Programme of £97 million which took inro account of re-profiling, virements, additional funding requirements and grant variations identified since the Capital Programme was formally agreed on 27th February 2023 and revised via the Capital Outturn 2022-23 report.

Members were informed of additional grant funding, various schemes as highlighted in section 3.7, as well as the public sector de-carbonisation scheme. Further clarification was also given to Members on Birkenhead Market funding and Maritime Knowledge Hub.

Members also requested further information on various aspects of the report, including allotment site expansion, catering units and defibrillators. A request was made to consider a further allocation of funds in future years for highways maintenance and pothole repairs before further deterioration occurred.

Councillors Jean Robinson and Jeff Green left the room due to their interests as Directors of Wirral Growth Company and took no part in the discussion or vote.

Resolved – that,

1. **the additional funding for the schemes referred to in section 3.7 in this report be approved.**

2. **the changes to the programme detailed in section 3.8 be approved.**

3. **the revised Capital Programme of £97 million for 2023/24, including the virements of budget referred to in Appendix C of this report be approved**.

104 **WORK PROGRAMME**

The Chair introduced the work programme which provided an opportunity to plan and regularly review its work across the municipal year.

A request for performance monitoring workshops and a referral from Council regarding Borough of Sanctuary status were added to the work programme.

Resolved – That the Policy and Resources Committee work programme for the 2023/24 municipal year be noted with the above additions.

105 **MINUTES OF THE SENIOR OFFICER AND STAFFING SUB-COMMITTEE**

The Chair introduced the minutes of the Senior Officer and Appointments Staffing Sub-Committee which was held on 5th December 2023.

Members queried the possible need for a Human Resources sub-committee and asked that the chief officer structed be circulated to Members.

Also discussed were exempt reports published in the agenda, noting that some of the contents contained within the reports were already in the public domain. The Head of Legal Service explained that the report in question was exempt as it contained the personal information of individuals and that the exemption had been moved by the committee. The Council and Merseyside Pension Fund was also commended upon by Members for providing employment opportunities for care leavers.

Resolved – that the minutes of the Senior Officer and Appointments Staffing Sub-Committee held on 5th December 2023 be noted.

WIRRAL

POLICY AND RESOURCES COMMITTEE

Tuesday, 13 February 2024

REPORT TITLE:	**2024/25 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY**
REPORT OF:	**DIRECTOR OF FINANCE (S151 OFFICER)**

REPORT SUMMARY

This report sets out the budget for the forthcoming year.

This draft budget is based on the usual work and analysis undertaken by the finance directorate and is offered for approval by the Policy and Resources Committee. If approved this will be recommended to Council on 26 February 2024. At the Council meeting, Members of the Council will be invited to support the draft budget to fulfil their legal obligation to set a balanced and sustainable budget for 2024/25.

The report presents the following financial aspects:

- details of the annual budget for 2024/25
- the key elements contributing towards the preparation of the Budget.
- recommendations on the budget and council tax
- the Medium-Term Financial Strategy (MTFS), which incorporates the Medium-Term Financial Plan (MTFP) covering the period from 2024/25 to 2028/29.

The report contains several appendices, some that are required to be published as part of the statutory annual budget process and others that provide the Committee with relevant information relating to short and medium-term budget planning, inclusive of consultation aspects and financial assumptions. These assumptions will change and will be reported through the Council's governance process for budget monitoring within the Committee system.

The 2024/25 budget has been compiled using the figures in the Provisional Local Government Finance Settlement for 2024/25 as the final settlement is expected to be published after the publication date of this report, in early February 2024. Any changes to the final settlement that impact on the assumptions included within this report will be reported verbally to the Committee at the meeting.

The budget proposals have been produced following extensive engagement of Policy & Resources Committee, Finance sub-group and other Service Committees during the last year. This process has identified the need to reflect the Council Plan priorities, particularly the delivery of high quality, efficient, universal services to all residents. It is recognised that some elements of universal services fall below the standards expected by residents and members. Despite the challenging financial position, priority has been given to some investment in these services.

The associated recommendations laid out in this report are a key step in achieving the Council's commitment to produce a stable, prudent and sustainable financial basis to operate from, recognising the finite resources available and prioritising them for the best outcomes for Wirral, with the ongoing aim of delivering better services.

The report is necessarily extensive, covering complex information on a number of areas including:

- The Section 151 officer's report on the robustness of estimates for budget calculations
- The national context and local government funding
- Engagement with the Independent Assurance Panel
- The approach to formulating the Budget.
- The Budget Proposals
- The Medium-Term Financial Strategy (MTFS) with Medium-Term Financial Plan (MTFP)
- Council Tax
- Business Rates
- Schools' Budgets
- Levies
- The Council's Financial Reserves

The report supports the delivery of the Wirral Plan as part of the process of delivering a balanced budget for all Council activity, and therefore all Wirral Plan aims and objectives, for 2024/25.

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

RECOMMENDATIONS

The Policy and Resources Committee is recommended to:

1. Delegate authority to the Section 151 Officer, following consultation with the Chair and Group Spokespersons of the Policy & Resources Committee, to do anything necessary – including minor financial adjustments – to give effect to the proposals contained in this report and address any funding changes, if any.

2. Note and consider the response to the financial proposals forming a draft budget for the purposes of consultation under section 65 of the Local Government Finance Act, set out as:

Appendix 1	Budget Proposals
Appendix 2	Budget consultation
Appendix 3	Policy & Service Committee budget proposals feedback
Appendix 4	The Dedicated Schools Grant Schools Budget
Appendix 5	Provisional Council Tax Statutory Calculations

Appendix 6	Discretionary Rate Relief Policy
Appendix 7	Medium-Term Financial Strategy
Appendix 8	Budget proposal changes since November 2023
Appendix 9	Council Tax Base Calculation Process and Associated Background Information

3. Recommend to Council a Revenue Budget of £399.603m, noting that the Section 151 Officer in liaison with the Monitoring Officer and Head of Paid Service may need to make adjustments to the Budget estimates before the preparation of final reports for Full Council on 26 February 2024.

4. Accordingly recommend that Council:

   a) Approve the Medium-Term Financial Strategy (MTFS) set out as Appendix 7

   b) Approve increases to the Council's fees and charges equal to or above the annual Consumer Price Index reported by the Office for National Statistics in September 2023, unless either of the following conditions apply:
      i. There is a statutory constraint that prevents such an increase,
      ii. The Council is operating in a market whereby such an increase would result in the Council being uncompetitive.

   c) Approve the Discretionary Rate Relief Policy for Business Rates for 2024/25 set out as Appendix 6.

   d) Approve the creation of a £1m project fund within the budget for 2024-25 as set out in section 3 and that oversight of the project fund be retained by the Finance Sub-Committee.

   e) Approve that Unearmarked Reserves (General Fund Balances) is maintained at a figure not lower than £13.18m for the course of the 2024/25 financial year.

   f) Agree the Budget Proposals as set out in Appendix 1 and authorise, in respect of the Budget Proposals, that the Director with portfolio undertake such actions as they consider necessary to implement the agreed Budget and deliver the savings, income and efficiency proposals developed as part of the formulation process and update Committees accordingly.

   g) Approve the 2024/25 Schools Budget of £378.552m

5. Recommend (subject to a separate vote at Council) that Council:

   a. Sets the Band D Council Tax at £1,888.22 for the Wirral Borough Council element of the Council Tax, representing a general increase of 2.99% and

2.00% ringfenced increase to Adult Social Care, and the Council Tax requirement for the Council's own purposes for 2024/25 of £181.3m as detailed in Appendix 5.

b. Notes that the additional precepts from the Police & Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Authority remain in estimated form and delegates authority to the Section 151 Officer to implement any variation to the overall council tax arising from the final notification of the precepts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Setting a budget, in a period of continuing high inflation and growing demand for council services, requires challenging decisions to ensure that a balanced position can be presented. Members have been engaged in the process through the work of the Policy and Service Committees and Finance sub committee.

1.2 Failure to set a balanced budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. Failure to set a lawful budget by the required deadline will lead to a loss of revenue that is likely to be irrecoverable and incur significant additional costs and reputational damage. This report is to ensure that the Council has appropriate information to be able to set a lawful budget and to protect the Council, Customers and Members from the consequences of failing to take the necessary decisions.

1.3 The Medium-Term Financial Strategy (MTFS) provides a robust, consistent, and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the Council's services are to be delivered.

1.4 In order to fulfil the aims of the MTFS, it is imperative that budget proposals are evidence based and achievable. In order to ensure that this is the case, rigorous review has been undertaken through:

- Directorate Management Teams (DMT)
- Senior Leadership Team (SLT)
- Internal Challenge Panels
- Council Committees.

1.5 The Council has a legal responsibility to set a balanced budget, which sets out how financial resources are to be allocated and utilised. Previous reports to the Committee have highlighted the external challenges that have impacted on the 2024/25 budget setting process and have highlighted the extent of the financial challenge faced.

1.6 Policy and Resources Committee is required to recommend a Budget to the Council for its meeting on 26 February 2024. The Council must set a budget for 2024/25 by 11 March by law. The issues detailed in this report support the recommendations to allow a Budget Proposal to be recommended.

1.7 The Budget Proposals for 2024/25 have been formulated via a rigorous review process and the Finance sub committee has met regularly during recent months to review proposals and assumptions. As such, the proposals presented are considered to provide a robust, consistent, and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the Council's services are to be delivered.

1.8 The budget proposals in this report stem from those presented to Policy & Resources Committee on 21 November 2023, however some of those items have been adjusted following consultation and further review. Details are provided as Appendix 8.

1.9 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves (Section 3.1).

1.10 The Medium-Term Financial Plan (MTFP) supports the delivery of the Council Plan and is key to ensuring the Council is financially stable. Progress against budget is monitored by the relevant Committees and reported to Policy & Resources Committee throughout the year, as part of routine financial management, to ensure that plans are on track and any necessary corrective action is taken at the earliest opportunity.

1.11 In making any amendments to the Draft Budget as currently presented, such amendments must be validated by the Section 151 Officer to confirm that, in line with his responsibilities under the Local Government Act 1972, such amendments do not impair the ability to set a lawfully balanced budget.

2.0 OTHER OPTIONS CONSIDERED

2.1 The setting of a legal budget is a statutory requirement and therefore no other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Report of the s.151 Officer as to the Robustness of the Estimates Made for the Purposes of the Calculations and the Adequacy of the Proposed Financial Reserves.

Summary and Background

3.1.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Director of Finance as the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves. The Council must have regard to this report, which is set out below, when making decisions in respect to the budget.

3.1.2 In expressing the opinion, the Director of Finance (S151 Officer) has considered the financial management and control frameworks that are in place, the budget assumptions, the financial risks facing the council and the level of reserves.

3.1.3 Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainties within the forthcoming budget year, however longer-term uncertainties and increasing pressures on the Council's finances also inform the reserves balances for the medium-term.

Financial Controls

3.1.4 The Director of Finance has responsibility for ensuring that an effective system of internal control is maintained to provide an assessment of the current position across the whole General Fund and identifying areas for improvement where appropriate.

3.1.5 The Code of Practice for Financial Management (the FM Code) was introduced by CIPFA in November 2019. The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. An internal assessment has been undertaken to ensure the Council's full compliance with the FM Code.

Balancing the Shortfall

3.1.6 The budget is capable of being balanced for 2024/25 and the forecast overspend in financial year 2023/24 has been contained and mitigated. The pressures existing in both financial years, which are significant, are largely due to external inflationary pressures over which the Council has no control.

3.1.7 In responding to this shortfall and delivering proposals for a balanced budget the Council has consulted on a wide suite of potential budget savings and has identified £12.390m which are used to balance the 2024/25 Budget.

3.1.8 To form the budget for the 2024/25 financial year, and to give consideration across the medium-term to 2028/29, best estimates have been incorporated to determine the financial landscape, making allowances for anticipated and unavoidable pressures and future business plans as part of this process.

3.1.9 A long term transformation programme has been developed to drive the delivery of savings over the period covered by the MTFS. This is an ambitious programme focussed on delivering efficiency improvements across all areas of the Council to mitigate the impact of the currently projected shortfall in funding.

Council Tax

3.1.10 A further key component in balancing the Budget has been the officer recommendation for the agreement by Council of an increase in Council Tax and Adult Social Care Precept to an overall increase of 4.99%. This is the maximum legally allowable increase before a Council Tax referendum is required. It is of the utmost importance that this stream of funding is agreed in order to secure future streams of funding that will moderate cuts to key services in the future. It should be noted that every 1% change in council tax assumptions increases or decreases the budget gap by approximately £1.7m in 2024/25.

3.1.11 If the 4.99% is reduced as part of a resolution of an amendment laid before Policy & Resources Committee or before Council then it is required that the amendment should propose adoption of further savings equivalent to £1.7m for every 1% change.

Amendment to the Budget

3.1.12 Amendments that do not enable the budget to be lawfully balanced by taking realistic and deliverable savings cannot be supported in the professional opinion of the Section 151 Officer and under these circumstances the budget cannot be lawfully agreed by Council.

3.1.13 Arising from the statutory responsibilities of the Section 151 Officer it will not be acceptable for any replacement saving to draw further from the diminishing pool of Reserves held by the Council and which is already forecast to reduce markedly by 31 March 2025.

Budget Assumptions

3.1.14 The Section 151 Officer is satisfied that the Draft Budget has been based on the best available information and has used reasonable assumptions, the impact of which has been calculated using approaches and techniques commonly used within the Local Government sector.

3.1.15 In addition, a number of key processes have been in place and the Section 151 Officer is satisfied that:

- Existing and future expenditure pressures have been suitably estimated using financial monitoring reports and business insight for the current year.
- The senior members of the Finance Team and/or the Section 151 Officer have provided advice throughout the process.
- Detailed support has been provided to Service Managers in drafting business cases to define and confirm the availability of the savings identified.
- The relevant Policy and Services Committees have been consulted and briefed regarding savings in their respective areas.
- Policy and Resources (P&R) Committee and its Finance Sub-Committee have been providing governance and leadership for the process.
- Challenge panels and budget surgeries have been held by the Director of Finance.
- Support has been provided by the Independent Assurance Panel in reviewing progress against the improvement plan, critiquing the process and associated reports.
- There has been full engagement of the Senior Leadership Team and ownership of proposals to ensure a balanced budget position and how to manage down overspends.
- An effective financial monitoring process exists.

- A suitable governance and decision-making framework is in place that identifies, manages and monitors financial risks.
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure.
- Consultation in line with statutory requirements has been conducted with the Members, council tax-payers and general public and other groups as required.

Deliverability of Savings

3.1.16 As in financial year 2023/24, and as supported by the Independent Assurance Panel, resources have been set aside as a Contingent Sum to cover off the risk that the Council may encounter difficulties in delivering all of the £12.390m savings target in full during the financial year 2024/25. This is still a significant saving target and the existence of this sum is considered to be essential by the section 151 Officer.

Conclusion

3.1.17 It is the opinion of the Director of Finance (S151) that in their view the budget estimates are robust and satisfactory as required by the Local Government Act 2003; the level of reserves is at a minimum and will require replenishing. This statement is being made on the assumption that the proposed council tax funding increases by £8.62m (inclusive of additional properties, increase in Council Tax charge of 2.99% plus 2% precept for social care) for the budget year 2024/25.

3.1.18 Whilst the 2024/25 budget is balanced, there remains a gap between estimated spend and funding streams for 2025/26 onwards. Therefore, the council needs to maintain focus on financial sustainability and the transformation programme to produce a balanced budget over the medium-term.

3.1.19 The risks identified will be proactively monitored and mitigating action taken as soon as reliable trends emerge. Budget monitoring reports are routinely presented to Members during the financial year and will set out the latest position and action being taken, where applicable. The control environment and associated processes in place are robust.

3.1.20 It is the opinion of the Director of Finance (S151) that the reserves require replenishment across the MTFS period, full details of all the reserves held and their purpose are set out in the Medium-Term Financial Strategy.

Impact of the National Context

3.2 In November 2023, the Chancellor of the Exchequer announced information regarding the Spending Review in his Autumn Statement. The details of this have been provided in the Local Government Funding Settlement, received on 19 December 2023, in the form of a one-year settlement for 2024/25.

3.3 The impact of the assumptions in the provisional settlement was reported to all Members via a briefing note in January 2024. Government consultation took place on the provisional settlement and closed on 15 January 2024. The final 2024/25 settlement is expected to be laid before the House of Commons for its approval in early February 2024.

Engagement with the Independent Assurance Panel

3.4 The third and most recent update report of Wirral's Independent Assurance Panel (IAP) was presented to Policy and Resources Committee on 17 January 2024. The IAP was set up to oversee the Council's improvement in response to the external assurance review commissioned by the Department for Levelling Up, Housing and Communities (DLUHC) which was published in November 2021. The External Assurance Review was undertaken as a condition of the Council's request for exceptional finance support in 2020-21 and 2021-22.

3.5 The report presented in January, highlights the progress made by the Council in relation to development of the new Council Plan and emerging Medium Term-Financial Strategy. The letter also notes progress in relation to budget setting for 2024/25 and forecast for the next 2 years, highlighting the need to identify additional savings in future years where required.

3.6 The letter goes on to highlight the need to better align the Council Plan with the MTFS in terms of matching resources to stated priorities as well as the need for the Council Plan to have a robust performance management framework (PMF). As reported to this committee in November 2023, it is the intention of officers to engage with all Policy Committees early in the New Year to agree which indicators and measures are to be included in the PMF. The draft PMF will be reported to Policy and Resources committee for approval in March for implementation from 1 April.

2024/25 Budget

3.7 On 21 November 2023, a range of proposals contributing to the 2024/25 draft Budget were reported to Policy & Resources Committee. The draft budget gap at that time presented the potential for a £0.47m deficit position for 2024/25 based on specific assumptions.

3.8 As the Local Government Finance Settlement was not published in advance of the compilation of this report, it contains the assumptions made following the provisional settlement and the following announcement around additional Social Care funding. Once published, where the final settlement impacts on the assumptions laid out in the report, there will be a verbal update provided to the Committee at the meeting.

3.9 The Draft Budget has been balanced against a backdrop of high, but falling, inflation and growing demand for council services. The Draft Budget has provided suitably for the impact of inflation and related financial risks on the Council's operations and strategic goals.

3.10 The budget requires the delivery of £12.390m of savings in 2024/25, these proposals are predominantly focussed on improving efficiencies across all aspects of service delivery. It is essential that these savings are fully delivered in year to ensure that they do not contribute further pressures into future years of the MTFP. It is proposed that the Committee agrees suitable oversight arrangements for the overall Transformation programme.

3.11 The budget also includes some areas of investment aligned to key Council priorities within the Council Plan.

3.12 It is proposed to use £4.5m of the Public Health reserve that has been accumulated over a number of years. An investment plan has been developed that will deliver against key public health priorities across the Borough over the next three years. The detail of this investment will be agreed through the Adult Social Care and Public Health Committee.

3.13 Additional investment in Highways maintenance will be provided through the additional grant funding to be received via the Combined Authority. This is from additional funding made available by Government following the cancellation of part of the HS2 project and is expected to be £0.547m in 24/25.

3.14 It is also proposed that £1m be provided, from the contingency, for investment into specific improvement activities that will have a visible impact across the Borough. In addition, the improvement activities should be universal in nature. It is proposed that identification of the improvement activities be considered at the March 2024 Policy and Resources Committee to determine how best this fund could be used. Once agreed it is also proposed that oversight of the improvement activities would form a project that would be monitored by Finance Sub Committee.

3.15 The reduction in the general contingency budget can be accommodated given the reduced level of savings required in 2024/25 compared to the previous year and reducing levels of inflation. This budget would be for one year only initially due to the lack of certainty around future funding settlements and demand. It is proposed that the detail of the investment is agreed by Policy and Resources committee and oversight of the progress delegated to Finance sub-committee due to the currently temporary nature of the funding.

3.16 The rigorous process of review and challenge that has been delivered by the budget setting process ensures that the budget proposals included in this report have been fully scrutinised and are fit and proper in terms of readiness for decision-making.

3.17 Following the approval of the 2024/25 budget, monitoring of financial activity will take place via the relevant Committees throughout the year, to ensure that agreed savings proposals are delivered upon and a balanced budget position can be reported at the end of 2024/25. Where budgets are at risk of reporting an adverse position, Committees will be required to take remedial action to ensure they can be brought back in line.

3.18 The 2024/25 budget proposal is considered robust, although it is recognised that there are significant savings that need to be delivered – savings proposals have been challenged in terms of deliverability and phasing and assurances have been obtained from Directors that these are achievable. Estimates within the budget are based on professional advice and contingencies within the budget are considered sufficient to deal with unforeseen or uncertain items.

3.19 A rigorous process to monitor progress of savings delivery forms part of the standard budget monitoring process, which will continue in 2024/25.

3.20 The proposed budget for 2024/25 is summarised as follows:

TABLE 1: PROPOSED BUDGET

	24-25 (£m)	24-25 (£m)
FUNDING		
Council Tax	-172.643	
Proposed Council Tax increases	-8.615	
Business Rates	-143.464	
Social Care Specific Grants	-54.272	
Other	-20.609	
TOTAL FUNDING		**-399.603**
BUDGET REQUIREMENT		
Baseline	368.600	
Removal of one-off items from 23/24:	5.4520	
Baseline Restated		**374.052**
Total Pressure/ Investment		**37.941**
Saving Income and Efficiencies		
Increasing Business Efficiencies	-3.810	
Increasing Income	-0.750	
Changing how we fund or provide services	-7.830	
Reducing or stopping services	0.000	
Total Savings Income and efficiencies:		**-12.390**
TOTAL BUDGET REQUIREMENT		**399.603**
REVISED BUDGET GAP / (SURPLUS)		**0.000**

Funding

3.21 The Council's main source of funding is made up of Income from Council Tax and Business Rates, with a number of lower value funding sources also contributing to matters as outlined in the table above. The provisional statutory calculation for Council Tax for 2024/25 is included within Appendix 5. The Business Rates calculations include business rate relief as set out in the Discretionary Rate Relief Policy included within Appendix 6. The total business rate funding is made up of:

- Business rate income and Section 31 grants of £102.092m
- Government top-up grant of £60.610m, which includes the equivalent of £19.238m Better Care Fund (Better Care Fund grant is forgone because of the Council's involvement in the Business Rates Retention Scheme pilot).

3.22 Council funding also includes a number of Social Care specific grants. The Social Care grant totals £41.900m in 2024/25, an increase of £9.758m from the previous year. The grant is provided to upper tier authorities for social care expenditure, on both Adult and Children's Social Care, and is used to address care needs that are a result of age, illness, disability or any significant change in life in addition to specific care needs of children, young people and their families. Discretion is available for local authorities to determine how much of it should be spent on adult social care and how much should be spent on children's social care. Other Social Care Specific grants include:

- Market Sustainability & Improvement Fund to enable improvements to be made to adult social care - £7.877m
- Discharge Fund to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible - £4.495m.

The Council also has the discretion to apply an Adult Social Care precept of 2% on Council Tax bills; approximately £3.453m could be generated through the application of the precept, which has been factored into the budget assumptions.

3.23 Included within the other sources of funding is:

- Better Care Fund £19.238m (notional amount extracted from Government top-up grant)
- New Homes Bonus of £0.079m
- Services Grant of £0.520m, which has been provided to support all services delivered by councils and is significantly reduced from 2023/24.

Full details of funding is provided in The MTFS which can be found in Appendix 7 of this report.

Baseline Budget Requirement And Approach To Budget Setting

3.24 At its Budget Council on 27 February 2023, a net revenue budget for 2023/2024 of £366.6m was agreed. In quarter 1, a favourable £2.000m variation against the funding relating to an adjustment of Business Rates Section 31 grants, increased the revenue budget to £368.6m. This presents the starting position for the 2024/25 budget, which first required non-recurring components of the 2023/24 position to be reversed out.

3.25 Following initial budget challenge sessions with Directors and a review of the early Q2 budget monitoring information, a position around the current and future pressures was ascertained. This represented the best available information at the point in time and formed the baseline for the pressures within the draft MTFP for current and future years.

3.26 At the Policy and Resources Committee on 4 October 2023, a potential budget gap of £14.9m for 2024/25 was presented. Members were asked to note that the budget gap is an ever-moving target due to a number of factors; these included:

- Ongoing Government announcements of funding, including specifically the Provisional Local Government Financial Settlement for 2024/25

- A process of challenge and refinement within the Council to ensure that the proposals are evidence based. Addition of new pressures that continue to materialise as further local and national evidence comes to light.
- The continuing refinement of budget assumptions including inflation.
- The development and refinement of budget options.

3.27 The report highlighted the developing change programme aimed at supporting the delivery of the medium-term financial plan and the expected savings required to deliver a balanced budget. The Change Programme is aligned to the overall priorities within the Council Plan, focussing on delivering operational efficiencies and better outcomes for residents through promoting independence and improving outcomes.

3.28 There are a number of transformation themes that are designed to deliver savings over the MTFP period.

3.29 The main themes within Children's Services relate to early intervention and opportunities to work across the city region in relation to high cost / demand services such as Children's Home placements, fostering and home to school transport. The focus within Adult's continues to be around enablement and enhancing the offer around alternatives to residential and nursing care, such as extra care housing and reablement services. The service continues to work closely with the Health Services to further develop a place based approach and joined up working. Efficiencies around joint commissioning will be explored as part of the ongoing activities.

3.30 The Neighbourhood Services focused on efficiency of front-line delivery, such as Maintenance Services and the reduction in costs for waste collections and street cleansing when the contract is renewed in 2027. A revised Leisure offer will be brought forward that focuses on increased efficiencies within the delivery model, an investment strategy around the asset base and a focus on a 'Health First' approach to delivery.

3.31 Savings within Regeneration are planned from the refreshed approach to asset management and the corporate landlord model. The ongoing asset disposal programme will ensure repayment of the capitalisation directive and is intrinsically linked to the implementation of the corporate landlord model which will ensure that assets are used most effectively across localities. This will incorporate a review of the Town Halls and bring forward a range of recommendations around the use and management of assets across the whole estate. This will also be linked to the future capital investment proposals.

3.32 The Corporate savings continued to focus on cross cutting initiatives, particularly the continuation of the enabling services review and the integration of the digital transformation opportunities into this workstream.

3.33 The allocation of the savings across these workstreams was linked to the quantum of each directorate budget and where the pressures have originated from. It was recognised that a significant element of the increase in funding related to the Social Care specific grants for Adult Social Care and the precept element of the potential Council Tax increase. This reflected the inflationary and demographic pressures in these areas and was reflected within the savings proposals.

3.34 The actual savings developed were linked to the proposed transformation activities. A number of these are cross cutting in nature and do not relate to just one specific directorate. The overall package of savings options developed incorporated both transformation proposals and service specific actions to reduce expenditure.

3.35 Policy & Service Committees undertook budget workshops through October to review these proposals. Actions and feedback from the outcomes of the workshops was presented back to Policy & Resource Committee and can be found in Appendix 3 of this report.

3.36 Policy and Resources Committee on 21 November 2023 received a Budget Update report which provided a refined position on potential pressures and proposed savings in both 2024-25 and future years. It also provided an officer assessment of the capability of achieving a balanced budget for 2024-25.

Budget Construction

3.37 A full list of the budget proposals to set a balanced budget for 2024/25 is included within Appendix 1.

3.38 The MTFS inclusive of the embedded MTFP (Appendix 7) provides further detail on the 2024/25 budget components.

Medium-Term Financial Strategy (MTFS)

3.39 The MTFS inclusive of the embedded MTFP (Appendix 7), is a key document in the Council's financial planning cycle. This document sets out the strategic financial approach that the Council will adopt in supporting delivery of the Wirral Plan and the matrix of other strategies and plans that support delivery of the improvements that the Borough is clearly expecting.

3.40 The MTFS, and other accompanying appendices to this report, explain how the Council will distribute its resources in this endeavour over the next five years. In order to deliver the Wirral Plan the Council will need to operate carefully within specific quantitative financial targets. These targets manifest themselves as budget limits within which the Council must deliver its services over the period of the MTFS.

3.41 On the future journey, the Council needs to refresh its approach to operate highly disciplined financial management activities. By doing so, the Council will enhance prospects of attaining the far-reaching improvements to which its residents rightly aspire.

3.42 The MTFP component of the MTFS illustrates that a budget deficit will need to be bridged in future years based on current assumptions. The Council's Change Programme, Service Reviews and the forthcoming round of budget setting for 2025/26 will focus on delivering a balanced position with multi-year considerations in light of the position presented by the most recent iteration of the MTFP.

Capital Programme

3.43 The Capital Programme can act as a catalyst to accelerate the pace and scale of regeneration and growth in the borough across the medium and long term. This encourages market confidence, demand and growth from developers, inward investors and local businesses that will boost the revenue potential through direct income and/or future increased business rate receipts. Recent spending review announcements have identified opportunities to either fund these programmes at a lower cost, or fund new programmes, which may not have been manageable within the current Capital Programme. The revenue impact of the Capital Programme will continue to be routinely monitored in order to ensure that no unmanageable financial pressures transpire.

Setting Council Tax Levels

3.44 Policy and Resources Committee agreed the Council Tax Base for use in 2024/25 on 17 January 2024. A summary of the calculation process and associated background information is provided at Appendix 9.

3.45 In setting the Council Tax, the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council must calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2024/25 is not excessive and that a Referendum is not necessary.

3.46 The Statutory Calculations form part of the Policy & Resource Committee recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2024/25 with that for 2023/24 for the Council's basic amount of Council Tax and the Adult Social Care Precept. The provisional statutory calculations are contained in Appendix 5.

3.47 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2024/25 once known. If this information is available before the publishing date for Budget Council, this will be included as a separate report within the Council papers agenda. In 2024/25 the Liverpool City Region Combined Authority (LCR CA) will continue to levy a precept for the LCR CA Mayoral precept.

Business rates

3.48 National Non-Domestic Rates (NNDR), or Business Rates, are payable by businesses based on the rateable value of the premises they occupy, which is calculated according to how much rent the premises would achieve if rented out. Valuations are carried out by the Valuation Office Agency. This was previously done on a five-year cycle, but the latest valuation list came into effect from 1st April 2023 and will now operate on a three-year cycle with the next valuation due from April 2026.

3.49 The Council is responsible for calculating actual rates bills and for collecting rates and use the rateable value in working out how much a business will have to pay. The actual rates bill is calculated by applying the rate multiplier (a rate in the pound) to the rateable value (as assessed by the Valuation Office Agency (VOA), which is an agency of HM Revenue and Customs) and then deducting any reliefs that are applicable.

3.50 Whilst presenting opportunities, the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. The amount received may fluctuate due to a number of reasons including:

- Appeals against rating decisions, dealt with by the Valuation Office Agency and can be large and backdated a number of years;
- Changes in liability relating to changes in occupancy;
- Changes in building use;
- Alterations to buildings size and layout;
- Demolitions and new builds;
- Actions to avoid full liability including empty property/charitable reliefs;
- Assessment of bad and doubtful debts.

3.51 Policy and Resources Committee are asked to approve the Discretionary Rate Relief Policy for Business Rates for 2024/25 - Appendix 6.

3.52 The deficit in 2024/25 being allocated to Wirral Council is 99% and to Merseyside Fire and Rescue Service is 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2023/24 financial year together with a forecast for 2024/25 had to be submitted to the Government by 31 January 2024.

3.53 Since April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate local authorities for these decisions the Government has allocated Councils a series of Section 31 Grants. These are calculated as part of the National Non-Domestic Rates 1 return which is submitted to government by 31st January each year plus any supplementary grants awarded in year should government introduce new rating policy changes.

Schools Budgets

3.54 The detailed budget proposal for schools' budgets is provided in Appendix 4 and a summary is provided as follows:

	2024-25 Budget £m
Funding	367.635
Expenditure by funding block:	
Schools	262.515
Central Schools Service	4.611
High Needs	74.793
Early Years	36.633
Total expenditure	378.552
Contribution to/-from reserves	10.917

It was announced in December 2022 that the statutory override that separated DSG deficits from the authority's wider finances was extended for a further 3 years and is due to expire at the end of 2025/26. It should be noted, there is a risk that without further extension of this statutory override the deficit may have to be included in the Council's overall reserve. The 2024/25 school's budget has been approved by Schools Forum on 23 January 2024. However, the Forum members have expressed their concerns with the budget set as a significant deficit position. It has been agreed that schools and the authority will endeavour to find further mitigations during 2024/25.

Levies and Liverpool City Region Combined Authority

3.55 There is a statutory requirement to agree the levies for 2024/25 before 15 February 2024 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.

3.56 The Liverpool City Region Combined Authority considered the recommendation for its 2024/25 budget on 26 January 2024. The Transport Levy has increased by 3% for 2024/25, driven by higher energy costs, pay and general inflation pressures. Wirral's share of the costs increased by £0.679m to £23.722m.

3.57 The Merseyside Recycling & Waste Authority were scheduled to meet 2 February 2024 to agree the final Levy for 2024/25. The Levy set out for the Council is £18.092m, representing a small increase since 2023/24 of £0.380m.

Level of General Fund Balances and Earmarked Reserves

3.58 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.

3.59 Grant Thornton, the Council's external auditors, have previously recommended that Wirral Council look to build on General Fund balances to improve the Council's financial resilience. This is addressed in the report of the Section 151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves (section 3.1 above) and the MTFS (Appendix 7).

3.60 The recommendation to maintain General Fund Balances at a figure not lower than £13.18m for the course of the 2024/25 represents less than 4% of the Council's net revenue budget. A level which it is considered to facilitate medium term financial resilience would be at 5% – one of the principles of the MTFS is that, within the term of the MTFP, general fund balances will be increased and maintained at 5% of net revenue budget along with the maintenance of a suite of earmarked reserves that will be used for specific projects to support the key priorities and safeguard against financial risk.

3.61 A summary of reserves is provided in the MTFS (Appendix 7).

4.0 FINANCIAL IMPLICATIONS

4.1 This report is part of a programme of activity to ensure that a fully balanced, legal budget can be recommended by the Policy and Resources Committee to Full Council at its meeting of 26 February 2024.

4.2 The programme to develop a robust budget position, which this paper forms part of, will support the Council in ensuring that CIPFA's Financial Management Code (FM Code) is complied with, in particular in relation to Section 4 of the FM Code – The Annual Budget.

4.3 The FM Code requires the Council to demonstrate that the processes they have in place satisfy the principles of good financial management, based on the following six principles:

- Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisation culture.
- Accountability – based on Medium-Term Financial Planning, that derives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management - undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer actions and elected member decision making.
- Professional standards - Adherence to professional standards is promoted by the leadership team and is evidenced.
- Assurance - sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- Sustainability - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

4.4 Financial implications of the 2024/25 budget are included within the main body of the report and associated recommendations.

5.0 LEGAL IMPLICATIONS

5.1 Failure to agree a legally balanced budget by Full Council on 26 February 2024 may have significant financial, administrative and legal implications and result in Government intervention.

5.2 The Policy and Resources Committee, in consultation with the respective Policy and Service Committees, has been charged by Council to formulate a draft Medium Term Financial Strategy (MTFS) and budget to recommend to the Council.

5.3 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

5.4 Section 30 (6) and section 31A(11) of the Local Government Finance Act 1992 provides that the Council has to set its budget and Council Tax amount before 11th March in the financial year preceding the one in respect of which the budget is set.

5.5 The provisions of section 25 Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (Section 151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

5.6 Consultation must take place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. The summary of responses provided are attached in Appendix 2 to this report. It must be borne in mind that this is consultation on the budget proposals, not on the decision to take whatever decision is implied by the adoption of that budget. This is because the budget is a sufficiently high-level estimate or cap and, in relation to much of the estimated income and expenditure in exercise of the budget, not set in relation to the distinct decisions that will make up that expenditure throughout the year. As such, when setting and formulating the budget it would be difficult to compile a sufficiently detailed consultation document or undertake a focussed impact assessment.

5.7 The consultation process, including the Council's consideration of the responses, is required to comply with the following overarching obligations (unless detailed statutory rules supplant these):

- Consultation must be at a time when proposals are at a formative stage.
- The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly.
- Consulters must give sufficient time for responses to be made and considered.

- Responses must be conscientiously taken into account in finalising the decision.

5.8 This is the same whether or not a public body was required to consult or chooses to do so. This is because all of those rules are aspects of an overriding requirement for 'fairness'. The process must be substantively fair and have the appearance of fairness. The setting of the budget and council tax by Members involves their consideration of choices.

5.9 When considering options, Members must bear in mind their fiduciary duty to the council taxpayers of Wirral. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.

5.10 Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.

5.11 The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.

5.12 There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision.

5.13 The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

5.14 Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to the Policy and Services Committees when considering decisions.

5.15 Once a budget is in place, Council has delegated responsibility to the Policy and Services Committees to implement it. The Committees may not act contrary to the Budget without consent of Council other than in accordance with the Procedure Rules set out at Part 4(3) of the Constitution.

5.16 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

5.17 Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to the Council meeting on the budget and therefore arguably to the formulation of the Budget. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no additional resource requirements directly from this report, however the implications for the proposals included within the 2024/25 budget and MTFP will be assessed at the time of implementation. For budget proposals that may result in reductions to the workforce, the Council have consulted with trade unions and relevant staff groups as required and in accordance with section 188(1A) of the Trade Union and Labour Relations Act (TULRCA) 1992).

6.2 A number of the budget proposals have staffing implications. It is estimated that the overall number of posts to be reduced is approximately 147 full time equivalents. This is an indicative figure at this stage. It is planned to achieve this reduction through the deletion of vacancies and releasing staff under the terms of the voluntary severance/early voluntary retirement (VS/EVR) scheme as far as possible. Where possible and appropriate, staff will be redeployed into other roles before considering any compulsory redundancies, with the aim being to minimise the number of instances as far as possible.

7.0 RELEVANT RISKS

7.1 The Council's ability to close the funding gap is highly dependent on the accuracy of assumptions used for Government funding and levies from other bodies, as well as demand estimates for Council services. As the Local Government Finance Settlement only covers one year, the uncertainty around future funding over the MTFP period remains high.

7.2 The Council's ability to maintain a balanced budget is dependent on a proactive approach due to estimated figures being provided in the calculation for the budget, albeit the best estimates available at the time, plus any amount of internal and external factors that could impact on the budget position in year. Examples of which are new legislation, increased demand, loss of income, increased funding, decreased funding, inability to recruit to posts, ongoing impact of the pandemic, etc.

7.3 A robust monitoring and management process for the budget is in place. If at any time during the year an adverse position is forecast, remedial action must be agreed and implemented immediately to ensure the budget can be brought back to balanced position.

7.4 Failure to achieve a balanced budget would lead to the Section 151 Officer issuing a Section 114 notice and potential ministerial intervention under Section 15 of the Local Government Act 1999.

7.5 Funding and demand assumptions in particular can change as more information becomes available and pressures could increase from inflationary impacts and as a result of changes in interest rates. As such, the Medium-Term Finance Plan (MTFP) is regularly reviewed and updated as part of routine financial management.

7.6 There is also a risk that agreed savings will not be delivered or will be delayed. Progress on delivery of agreed savings will be monitored using Budget Monitoring reports presented to Policy and Service Committees.

7.7 Under the system of retained Business Rates, Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the Authority. These risks are mitigated through a combination of the operation of the Collection Fund and General Fund Balances.

7.8 A balanced budget is fundamental in demonstrating robust and secure financial management. Delivering a balanced position requires continual review and revision of plans to allow alternative financial proposals to be developed and embedded in plans as situations change. A delay in agreeing these may put the timetable for setting the 2024/25 budget at risk and may result in a balanced budget not being identified in time for the deadline of 11 March 2024.

7.9 Assumptions have been made in the current budget outlook for income and funding from business rates and council tax and social care grants as the main sources of funding. If there is an adverse change to these assumptions as a result of the final funding settlement, additional savings proposals or reduced expenditure would need to be identified as soon as possible to ensure a balanced position is presented.

8.0 ENGAGEMENT/CONSULTATION

8.1 Initial consultation has taken place in respect of the priorities and views of the public in formulating the draft budget, as set out in this report.

8.2 Statutory budget consultation took place in January 2024 and details are provided in Appendix 2.

8.3 Policy and Services Committees reviewed and debated the draft 2024/25 budget publicly during January 2024. The minutes from the Committees is provided in Appendix 3 for the consideration of the Policy and Resources Committee in respect of the recommendations set out in this report.

8.4 The Policy and Resources Finance Sub-Group have met on a regular basis during recent months to review budget proposals and assumptions.

8.5 The Council has engaged regularly with trade unions about the Council’s financial position. This will continue throughout the budget setting and implementation process.

8.6 For budget proposals that may result in reductions to the workforce, the Council have consulted with trade unions and relevant staff groups as required and in accordance with section 188(1A) of the Trade Union and Labour Relations Act (TULRCA) 1992).

8.7 The Council is committed to mitigating the impact on staff as far as possible and will take all steps possible to avoid any compulsory redundancies in accordance with policies and procedures.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 The equality implications have been considered within the individual savings proposals via the completion of equality impact assessments.

9.3 It is recognised that some of the budget proposals could have equality implications. Any implications will be considered and any negative impacts will be mitigated where possible.

9.4 Equality implications will be assessed during planning, decision and implementation stages and will be recognised as an ongoing responsibility. Equality issues will be a conscious consideration and an integral part of the process.

9.5 The documents associated with this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact committeeservices@wirral.gov.uk if you would like documents in an accessible format.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The environment and climate implications have been considered within the individual savings proposals.

10.2 Setting a balanced budget puts the Council in a good position to be able to secure other necessary funding streams for future works to meet its net zero targets.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The community wealth implications have been considered within the individual budget proposals taking account of matters across headings such as the following:

- Progressive Procurement and Social Value - How we commission and procure goods and services. Encouraging contractors to deliver more benefits for the local area, such as good jobs, apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing.
- More local & community ownership of the economy - Supporting more cooperatives and community businesses. Enabling greater opportunities for local businesses. Building on the experience of partnership working with voluntary, community and faith groups during the pandemic to further develop this sector.

- Decent and Fair Employment - Paying all employees a fair and reasonable wage.
- Making wealth work for local places.

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APPENDICES

Appendix 1	Budget Saving Proposals
Appendix 2	Budget consultation
Appendix 3	Policy & Service Committee budget proposals feedback
Appendix 4	The Dedicated Schools Grant Schools Budget
Appendix 5	Provisional Council Tax Statutory Calculations
Appendix 6	Discretionary Rate Relief Policy
Appendix 7	Medium-Term Financial Strategy
Appendix 8	Budget proposal changes since November 2023
Appendix 9	Council Tax Base Calculation Process and Associated Background Information

BACKGROUND PAPERS

Pressure and Growth Proposals
Savings and Income Proposals
DLUHC External Assurance Reports
CIPFA's Financial Management Code
Wirral Economic Strategy
Wirral's Local Plan
Office for National Statistics – Consumer price inflation

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with Section 1.2(a) of its Terms of Reference, to formulate, co-ordinate and implement corporate policies and strategies and the medium-term financial plan (budget). The report seeks a recommendation to Council in accordance with Part 3(A) of the Constitution as the setting of the Council's Council Tax requirement is a function reserved to Council.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Environment, Climate Emergency and Transport Committee	29 January 2024
Tourism, Communities, Culture & Leisure Committee	25 January 2024
Children, Young People & Education Committee	24 January 2024
Adult Social Care and Public Health Committee	23 January 2024
Economy Regeneration & Housing Committee	22 January 2024
Policy and Resources Committee	17 January 2024
Policy and Resources Committee	21 November 2023
Policy and Resources Committee	04 October 2023
Policy and Resources Committee	14 June 2023
Full Council	27 February 2023
Policy and Resources Committee	15 February 2023

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APPENDIX 1 – BUDGET SAVING PROPOSALS

Budget Saving Proposals can be placed into the following categories:

- **Increasing Business Efficiencies**: This approach will identify efficiency measures that will result in more effective ways in which services are currently provided and may include cost reduction.
- **Increasing Income**: The Council will look to identify areas where it can raise income through fees and charges.
- **Changing how we fund or provide services**: We aim to ensure that the right service reaches the right resident when and where they need it, for the best cost. This may mean changing how we fund or provide services so that we are able to reduce costs and maintain services by becoming more efficient and by doing things differently.
- **Reducing or stopping services**: Although all efforts will be made to keep service reduction to a minimum, the scale of the financial challenge means that not all reduction proposals can be avoided.

Committee: Adult Care & Public Health							
Theme	**Option**	**Description**	**24/25 Saving (£m)**	**25/26 Saving (£m)**	**26/27 Saving (£m)**	**27/28 Saving (£m)**	**28/29 Saving (£m)**
Increasing Business Efficiencies	Review of Adult Social Care cost-effectiveness	There is a need to continuously review the cost effectiveness of Adult Social Care (ASC) Services against: Learning Disability costs, NHS funding, locations and supporting workstreams. To achieve this, a range of initiatives have been developed that support the overall reduction in unit cost of the service which support ASC to manage an increasing number of service users in line with demographic change and service demand.	-4.800	-5.040	-5.292	-5.557	-5.668

Committee: Children, Families and Education							
Theme	**Option**	**Description**	**24/25 Saving (£m)**	**25/26 Saving (£m)**	**26/27 Saving (£m)**	**27/28 Saving (£m)**	**28/29 Saving (£m)**
Increasing Business Efficiencies	Reduction in teachers pension liabilities	This saving reflects a reduction in Teacher's pension liabilities for the Council.	-0.200	-0.075	-0.050	0.000	0.000
	Kingsway PFI buy out	This proposal is to buy out part of the PFI contract which will result in an ongoing revenue saving.	-0.500	0.000	0.000	0.000	0.000
	Re-organisation of Early Help, Family Support and Social Care into locality teams.	This option proposes that the current Early Help, Family Support and Social Care services move into a locality-based model, supporting multiagency teams to offer support to children and families at the earliest opportunity.	-0.550	0.000	0.000	0.000	0.000
Changing how we fund or provide services	Reduction in looked after children (LAC) numbers	This saving reflects a reduction in Wirral's Looked After Children numbers as historic high levels align more with other authorities following practice improvements since 2019	-0.330	-0.439	-0.375	0.000	0.000
	Reducing High Cost Residential Care	This option aims to ensure that more children remain within Wirral in more cost-effective foster placements and less children have to go into higher cost residential care.	-1.100	0.000	0.000	0.000	0.000
	Promoting Independence	The review will consider current practice including all guidance and best practice nationally to look at how service models could change to promote independence.	-0.300	-0.200	0.000	0.000	0.000

Committee: Economy, Regeneration & Housing							
Theme	**Option**	**Description**	**24/25 Saving (£m)**	**25/26 Saving (£m)**	**26/27 Saving (£m)**	**27/28 Saving (£m)**	**28/29 Saving (£m)**
Increasing Business Efficiencies	Implementation of Corporate Landlord model.	This option targets greater efficiencies through the centralisation of all functions relating to property management. Including review of asset management, repairs and maintenance and Facilities Management. Also includes incorporating options around outsourcing some / all of these functions.	-0.050	-0.250	-0.120	0.000	0.000

Committee: Tourism, Communities Culture & Leisure							
Theme	**Option**	**Description**	**24/25 Saving (£m)**	**25/26 Saving (£m)**	**26/27 Saving (£m)**	**27/28 Saving (£m)**	**28/29 Saving (£m)**
Changing how we fund or provide services	Active Wirral Strategy	This option builds on the Active Wirral Strategy to review the options for modernising the Council's existing leisure offer. This will include delivery arrangements, opportunities for greater partner and service integration and an associated investment programme in new or retained facilities to ensure the future provision effectively delivers better outcomes.	0.000	-1.000	-2.000	0.000	0.000
	Review library provision and location of Birkenhead and Wallasey libraries.	This option involves the identification of alternative locations for Birkenhead and Wallasey libraries, potentially as part of an integrated offer with other services.	0.000	-0.250	0.000	0.000	0.000
	Floral Pavilion	This proposal involves pursuing a series of efficiency measures aimed at reducing the net operational costs of the Service. This option also includes, in the medium term, an option to explore an alternative operator for the Floral Pavilion to secure this facility for the future	-1.300	0.000	0.000	0.000	0.000

Committee: Policy & Resources							
Theme	**Option**	**Description**	**24/25 Saving (£m)**	**25/26 Saving (£m)**	**26/27 Saving (£m)**	**27/28 Saving (£m)**	**28/29 Saving (£m)**
Increasing Income	Increase in Fees and Charges	The option involves increasing the Council’s standard fees and charges each April, in line with September's CPI inflation rate, as an automatic annual exercise.	-0.750	-0.600	-0.450	-0.450	-0.450
Increasing Business Efficiencies	Enabling Services	This option is an extension of a current programme of to review all enabling (back office) services across the whole organisation to identify economies of scale and opportunities for greater centralisation of these services.	-2.160	-2.000	0.000	0.000	0.000
	Cease subsidised traded services.	This option gives consideration to ceasing non-statutory IT traded services for cabling and installations, repair shop, software support and technical support, along with telecoms in Schools	-0.350	0.000	0.000	0.000	0.000
Council Tax	Increase Council Tax	This option involves increasing Council Tax to the assumed maximum limit over the Medium-Term Financial Plan period.	-8.615	-5.443	-5.639	-5.843	-6.053
TOTAL POTENTIAL SAVINGS			**-21.005**	**-15.297**	**-13.926**	**-11.850**	**-12.171**

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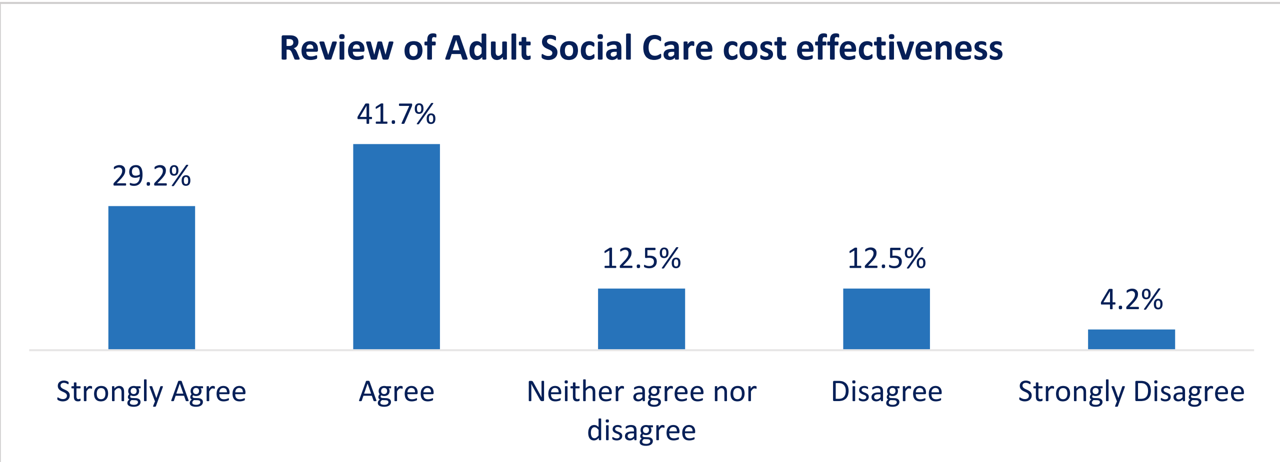
Appendix 2: Budget Consultation

Note: Individual numbers may not add up to a total of 100.0% due the rounding of numbers to one decimal place.

Question 1: Review of Adult Social Care cost effectiveness

24 people responded to 'Review of Adult Social Care cost effectiveness'. 70.8% Supported the proposal and 16.7% Opposed it. 12.5% stated that they neither agreed or disagreed.

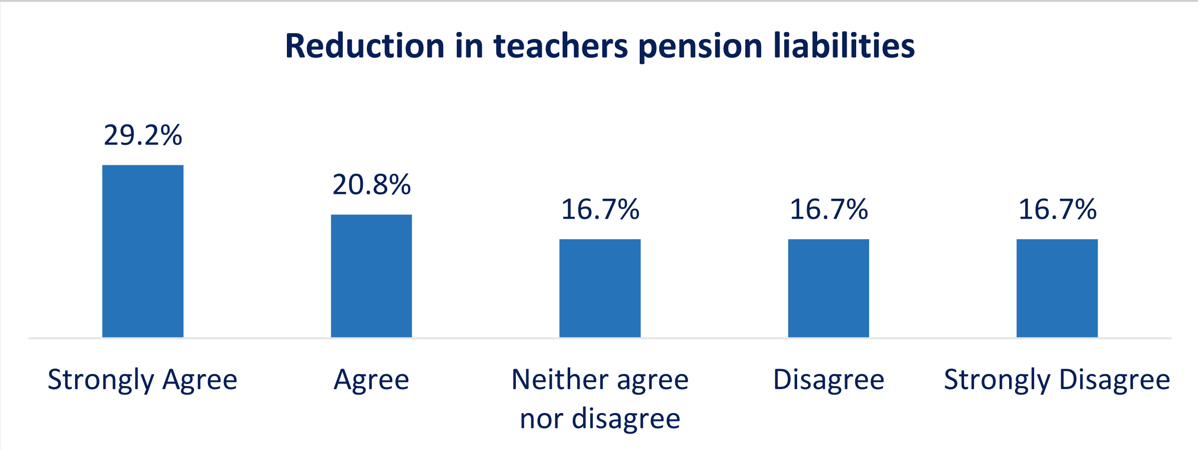
Review of Adult Social Care cost effectiveness	Total	%
Strongly Agree	7	29.2%
Agree	10	41.7%
Neither agree nor disagree	3	12.5%
Disagree	3	12.5%
Strongly Disagree	1	4.2%
Total	**24**	**100.0%**



Question 2: Reduction in teachers pension liabilities

24 people responded to 'Reduction in teachers pension liabilities'. 50.0% Supported the proposal and 33.3% Opposed it. 16.7% stated that they neither agreed or disagreed.

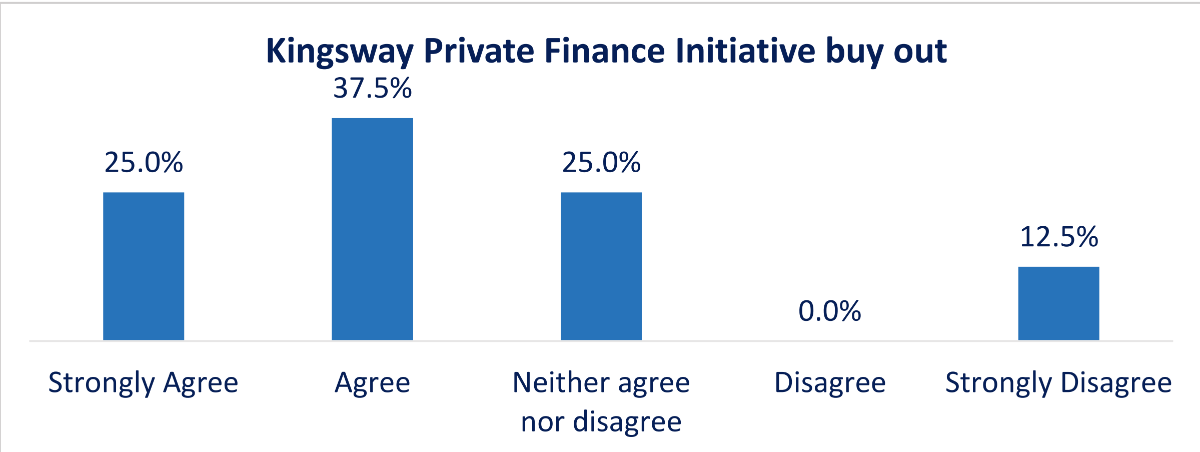
Reduction in teachers pension liabilities	Total	%
Strongly Agree	7	29.2%
Agree	5	20.8%
Neither agree nor disagree	4	16.7%
Disagree	4	16.7%
Strongly Disagree	4	16.7%
Total	**24**	**100.0%**



Question 3: Kingsway Private Finance Initiative buy out

24 people responded to 'Kingsway Private Finance Initiative buy out'. 62.5% Supported the proposal and 12.5% Opposed it. 25.0% stated that they neither agreed or disagreed.

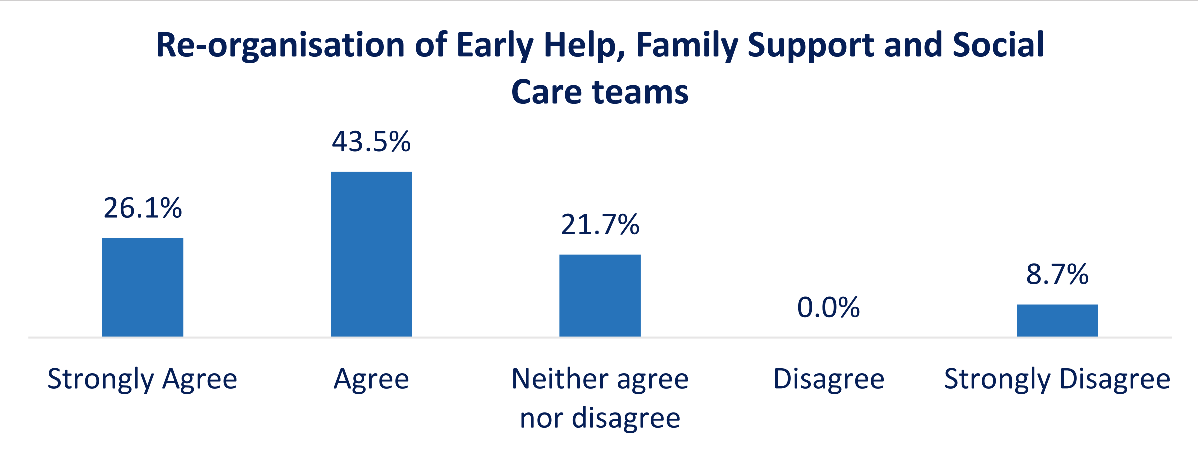
Kingsway Private Finance Initiative buy out	Total	%
Strongly Agree	6	25.0%
Agree	9	37.5%
Neither agree nor disagree	6	25.0%
Disagree	0	0.0%
Strongly Disagree	3	12.5%
Total	**24**	**100.0%**



Question 4: Re-organisation of Early Help, Family Support and Social Care teams

23 people responded to 'Re-organisation of Early Help, Family Support and Social Care teams'. 69.6% Supported the proposal and 8.7% Opposed it. 21.7% stated that they neither agreed or

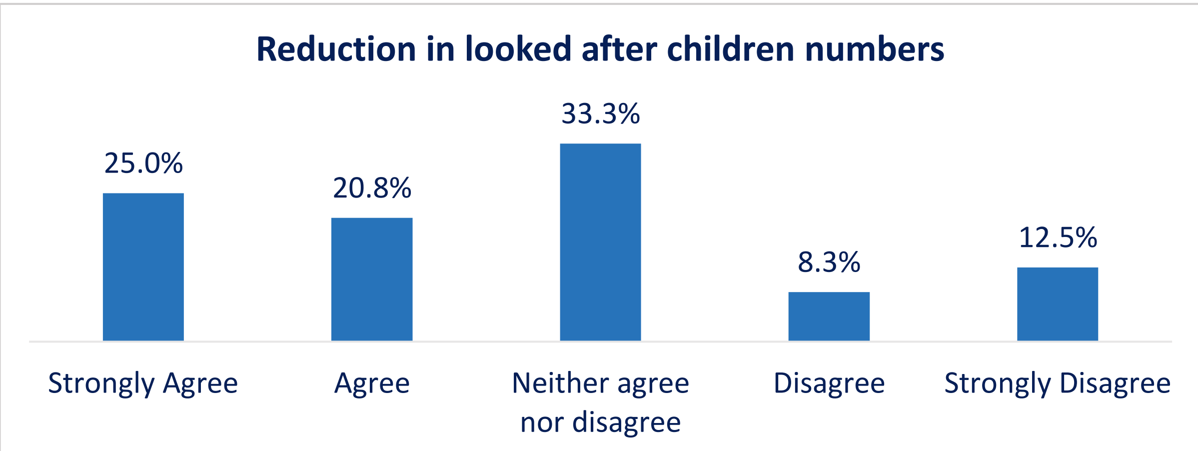
Re-organisation of Early Help, Family Support and Soc	Total	%
Strongly Agree	6	26.1%
Agree	10	43.5%
Neither agree nor disagree	5	21.7%
Disagree	0	0.0%
Strongly Disagree	2	8.7%
Total	**23**	**100.0%**



Question 5: Reduction in looked after children numbers

24 people responded to 'Reduction in looked after children numbers'. 45.8% Supported the proposal and 20.8% Opposed it. 33.3% stated that they neither agreed or disagreed.

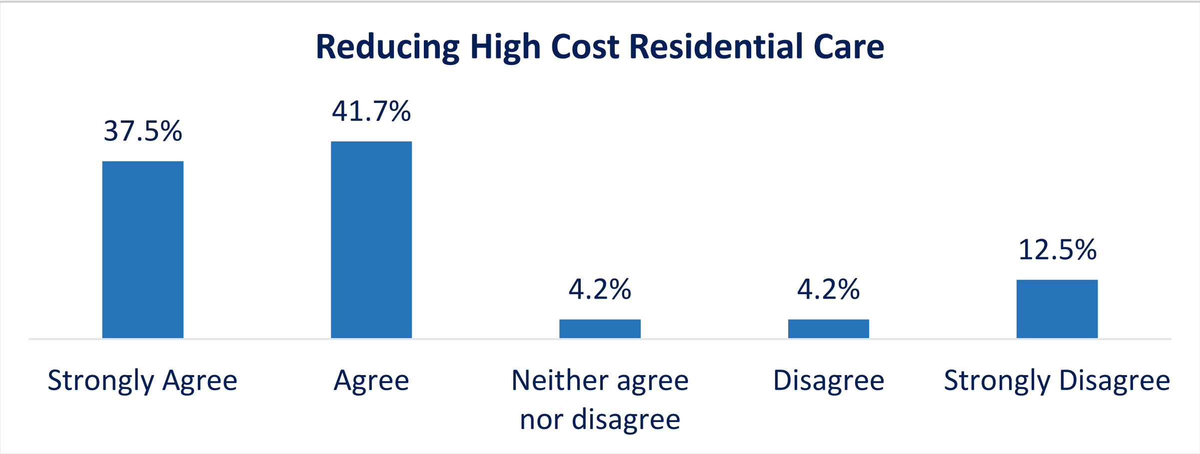
Reduction in looked after children numbers	Total	%
Strongly Agree	6	25.0%
Agree	5	20.8%
Neither agree nor disagree	8	33.3%
Disagree	2	8.3%
Strongly Disagree	3	12.5%
Total	**24**	**100.0%**



Question 6: Reducing High Cost Residential Care

24 people responded to 'Reducing High Cost Residential Care'. 79.2% Supported the proposal and 16.7% Opposed it. 4.2% stated that they neither agreed or disagreed.

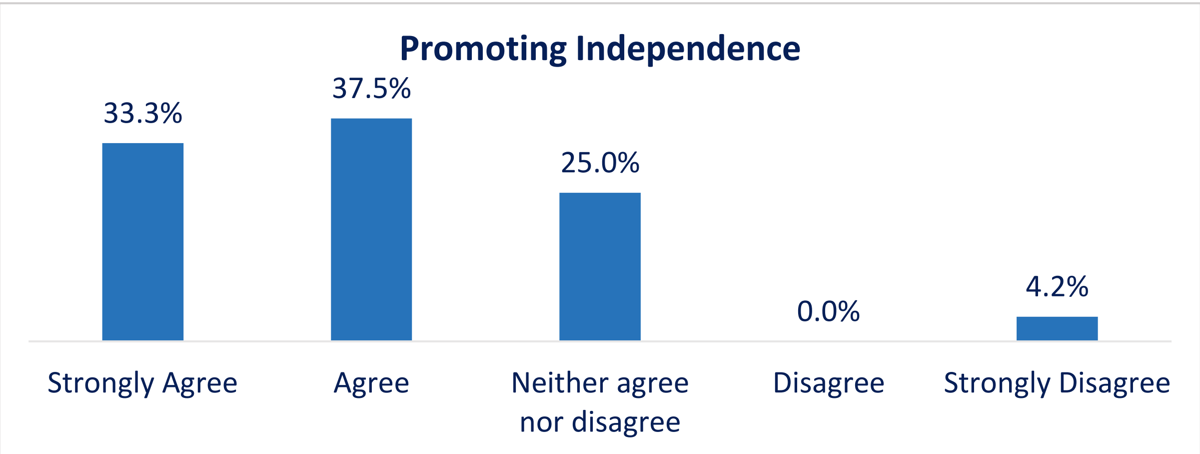
Reducing High Cost Residential Care	Total	%
Strongly Agree	9	37.5%
Agree	10	41.7%
Neither agree nor disagree	1	4.2%
Disagree	1	4.2%
Strongly Disagree	3	12.5%
Total	**24**	**100.0%**



Question 7: Promoting Independence

24 people responded to 'Promoting Independence'. 70.8% Supported the proposal and 4.2% Opposed it. 25.0% stated that they neither agreed or disagreed.

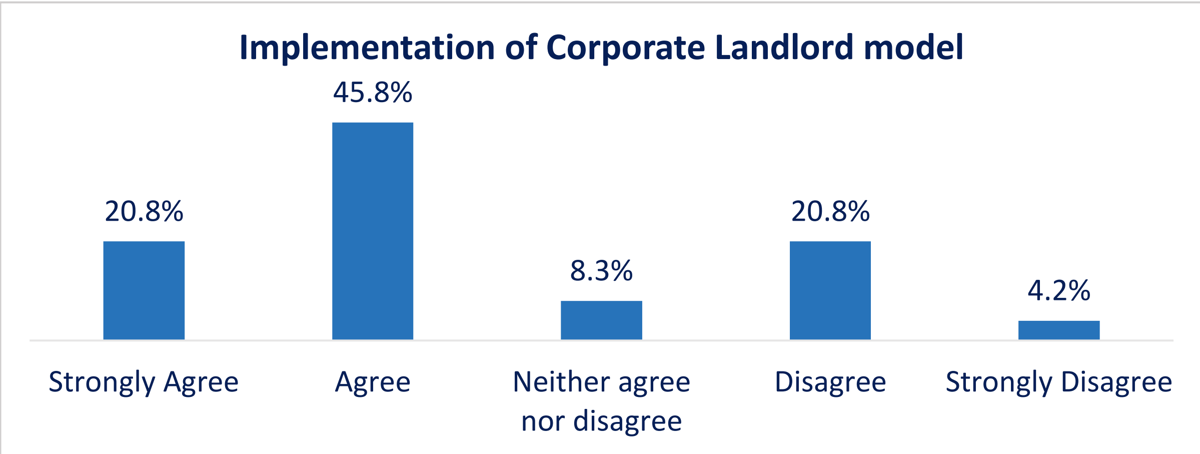
Promoting Independence	Total	%
Strongly Agree	8	33.3%
Agree	9	37.5%
Neither agree nor disagree	6	25.0%
Disagree	0	0.0%
Strongly Disagree	1	4.2%
Total	**24**	**100.0%**



Question 8: Implementation of Corporate Landlord model

24 people responded to 'Implementation of Corporate Landlord model'. 66.7% Supported the proposal and 25.0% Opposed it. 8.3% stated that they neither agreed or disagreed.

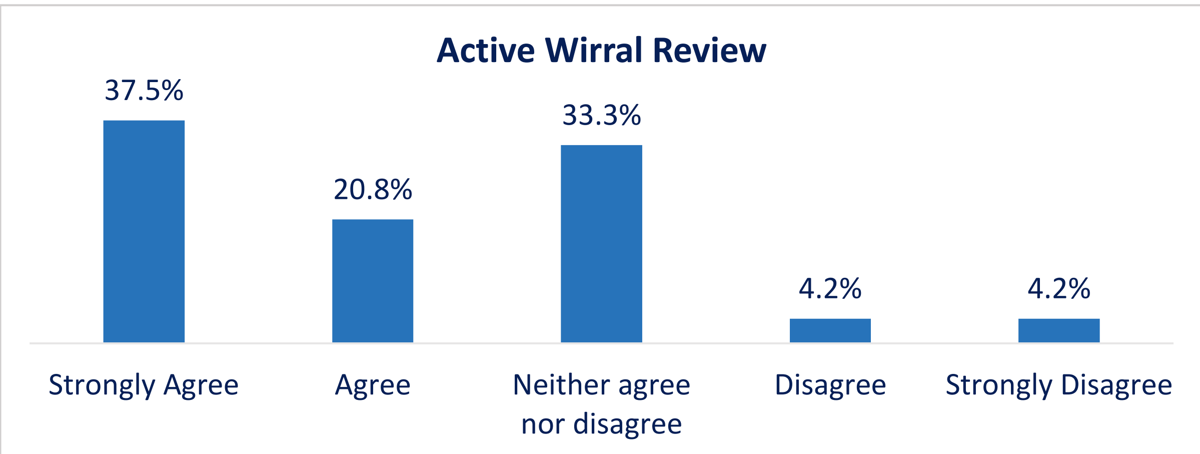
Implementation of Corporate Landlord model	Total	%
Strongly Agree	5	20.8%
Agree	11	45.8%
Neither agree nor disagree	2	8.3%
Disagree	5	20.8%
Strongly Disagree	1	4.2%
Total	**24**	**100.0%**



Question 9: Active Wirral Review

24 people responded to 'Active Wirral Review'. 58.3% Supported the proposal and 8.3% Opposed it. 33.3% stated that they neither agreed or disagreed.

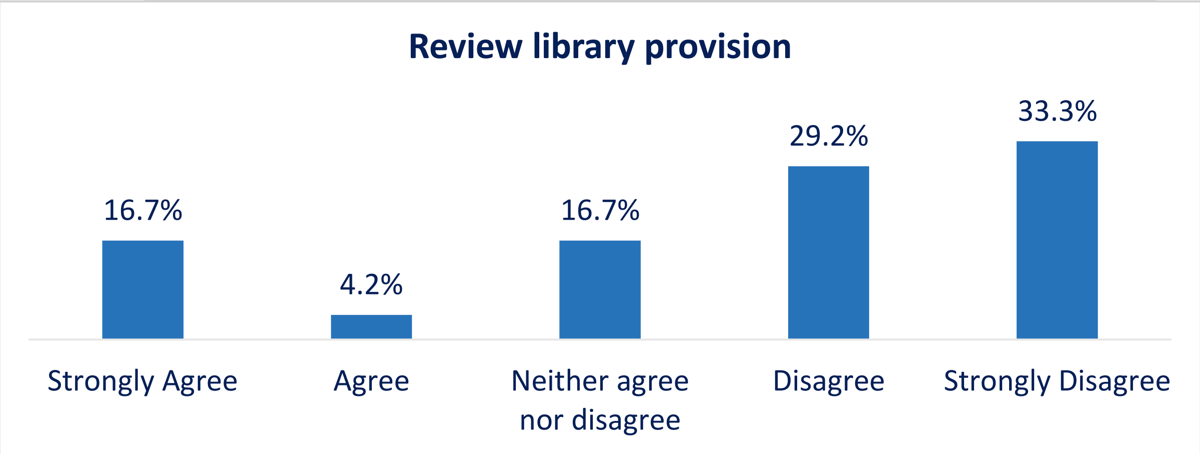
Active Wirral Review	Total	%
Strongly Agree	9	37.5%
Agree	5	20.8%
Neither agree nor disagree	8	33.3%
Disagree	1	4.2%
Strongly Disagree	1	4.2%
Total	**24**	**100.0%**



Question 10: Review library provision

24 people responded to 'Review library provision'. 62.5% Opposed the proposal and 20.8% Supported it. 16.7% stated that they neither agreed or disagreed.

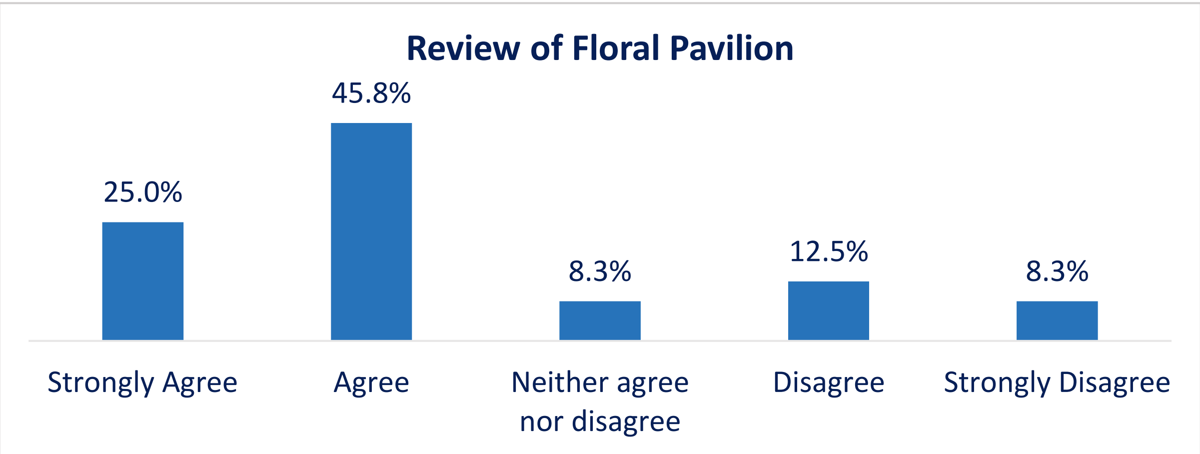
Review library provision	Total	%
Strongly Agree	4	16.7%
Agree	1	4.2%
Neither agree nor disagree	4	16.7%
Disagree	7	29.2%
Strongly Disagree	8	33.3%
Total	**24**	**100.0%**



Question 11: Review of Floral Pavilion

24 people responded to 'Review of Floral Pavilion'. 70.8% Supported the proposal and 20.8% Opposed it. 8.3% stated that they neither agreed or disagreed.

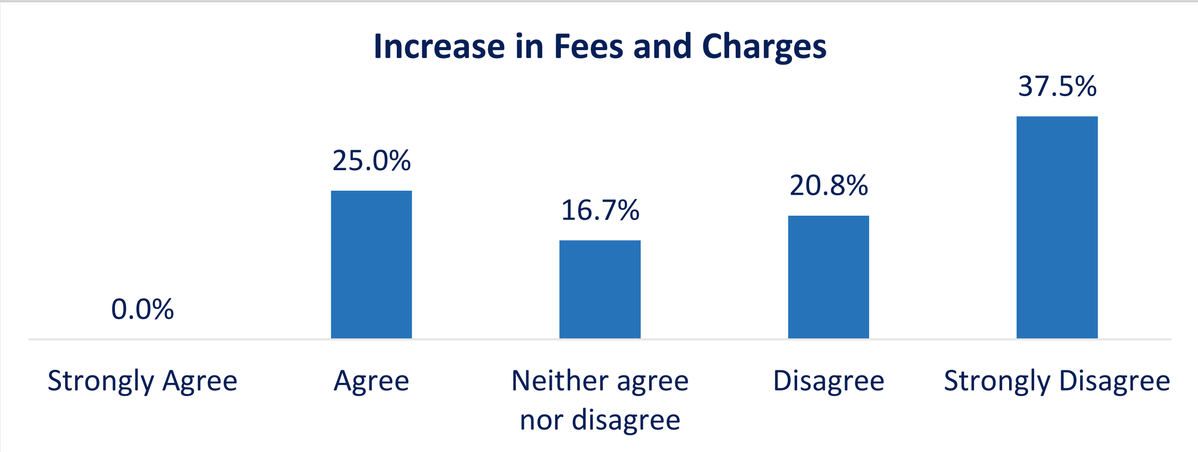
Review of Floral Pavilion	Total	%
Strongly Agree	6	25.0%
Agree	11	45.8%
Neither agree nor disagree	2	8.3%
Disagree	3	12.5%
Strongly Disagree	2	8.3%
Total	**24**	**100.0%**



Question 12: Increase in Fees and Charges

24 people responded to 'Increase in Fees and Charges'. 58.3% Opposed the proposal and 25.0% Supported it. 16.7% stated that they neither agreed or disagreed.

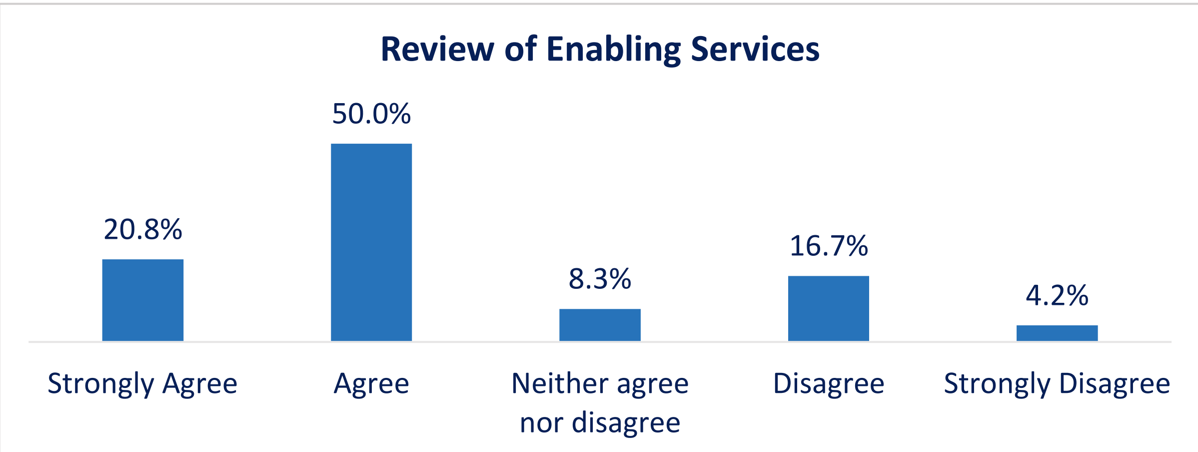
Increase in Fees and Charges	Total	%
Strongly Agree	0	0.0%
Agree	6	25.0%
Neither agree nor disagree	4	16.7%
Disagree	5	20.8%
Strongly Disagree	9	37.5%
Total	**24**	**100.0%**



Question 13: Review of Enabling Services

24 people responded to 'Review of Enabling Services'. 70.8% Supported the proposal and 20.8% Opposed it. 8.3% stated that they neither agreed or disagreed.

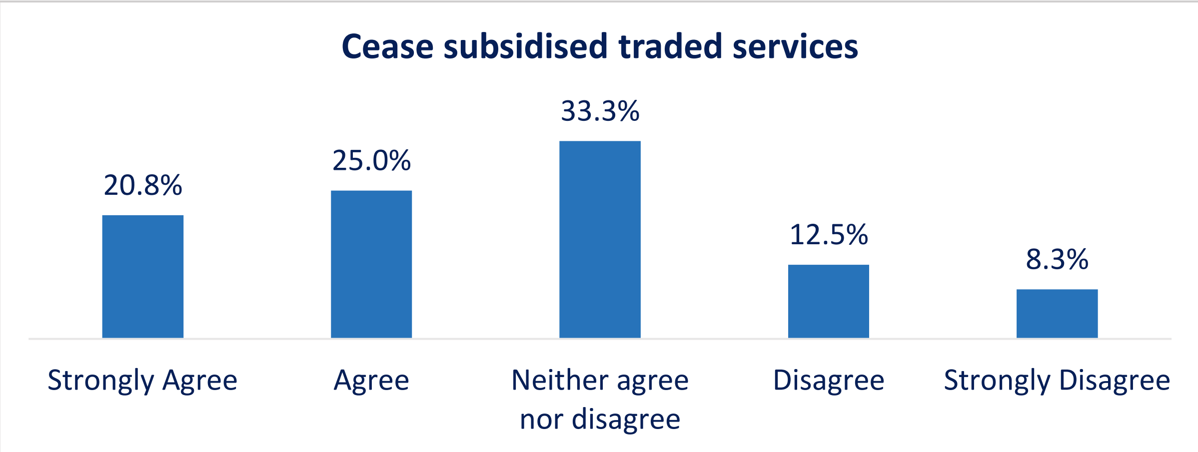
Review of Enabling Services	Total	%
Strongly Agree	5	20.8%
Agree	12	50.0%
Neither agree nor disagree	2	8.3%
Disagree	4	16.7%
Strongly Disagree	1	4.2%
Total	**24**	**100.0%**



Question 14: Cease subsidised traded services

24 people responded to 'Cease subsidised traded services'. 45.8% Supported the proposal and 20.8% Opposed it. 33.3% stated that they neither agreed or disagreed.

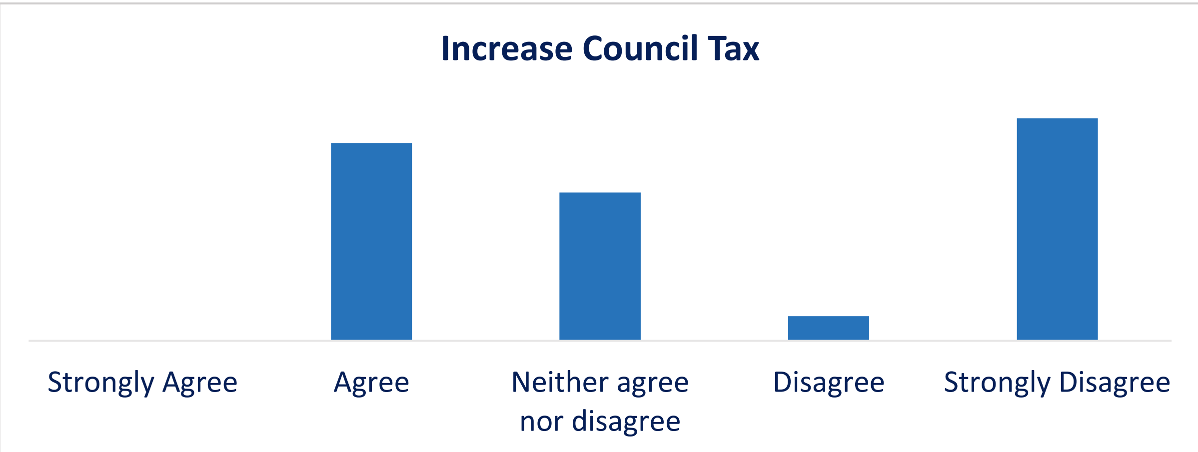
Cease subsidised traded services	Total	%
Strongly Agree	5	20.8%
Agree	6	25.0%
Neither agree nor disagree	8	33.3%
Disagree	3	12.5%
Strongly Disagree	2	8.3%
Total	**24**	**100.0%**



Question 15: Increase Council Tax

24 people responded to 'Increase Council Tax'. 41.7% Opposed the proposal and 33.3% Supported it. 25.0% stated that they neither agreed or disagreed.

Increase Council Tax	Total	%
Strongly Agree	0	0.0%
Agree	8	33.3%
Neither agree nor disagree	6	25.0%
Disagree	1	4.2%
Strongly Disagree	9	37.5%
Total	**24**	**100.0%**



Appendix 3 -

Policy and Service Committees Minute Extracts

ECONOMY, REGENERATION AND HOUSING COMMITTEE

Monday, 22 January 2024

63 2024-25 BUDGET REPORT UPDATE

The Director of Regeneration and Place presented the report of the Director of Finance. The report gave an update on the budgets within the remit of the Committee in respect of forthcoming pressures and proposed savings that were being considered within the Medium Term Financial Plan. The report noted that the Council had a legal responsibility to set a balanced budget, which sets out how financial resources are to be allocated and utilised. The report highlighted the external challenges impacting the 2024/25 budget setting process and proposed options to address the challenges faced.

Members queried the figures on the budget pressures relating to the Birkenhead Commercial District and whether tenants had been secured for the new office buildings. The Director of Regeneration and Place explained that the budget pressure figure of £2 million was not for void periods and was being utilised for a range of issues relating the completion of the buildings. He noted that marketing had begun for the office buildings and was going well, he stated that a report updating Members would be brought to committee in due course.

Resolved – That

1. **The indicative pressures and proposed savings detailed in Appendix 1 be noted; and**

2. **The Budget Workshop feedback and outcomes, as detailed in Appendix 3 be agreed.**

ADULT SOCIAL CARE AND PUBLIC HEALTH COMMITTEE

Tuesday, 23 January 2024

69 2024-25 BUDGET REPORT UPDATE

The Director of Adults, Health & Strategic Commissioning Services introduced the report of the Director of Finance which provided an update on the budgets within the remit of the Committee in respect of forthcoming pressures and proposed savings that are being considered within the Medium Term Financial Plan. The report also summarised the outcomes of the recent Budget Workshops between Members and senior officers. The workshops enabled officer and Member liaison on proposed budget options, facilitated discussion and allowed direction to be obtained on further analysis required and provided an opportunity for alternative proposals to be considered.

The Council faced a challenging financial outlook due to inflationary and demand pressures alongside the previous significant reductions in Government funding and uncertainty around the future financial settlements.

Members requested further detail on Shared Lives.

The Social Care precept was also discussed by Members and it was noted that this had been taken into account in the figures in the report. If the precept was not applied the money available for Adult Social Care would be reduced by in excess of £2million.

It was explained to Members that Local Authorities would be expected to absorb any Care Quality Commission (CQC) assessment costs within their settlements. No additional funding had been made available to cover assessment costs.

Resolved – That

1. The indicative pressures and proposed savings detailed in Appendix 1 and 2 be noted.

2. The Budget Workshop feedback and outcomes, as detailed in Appendix 3 be agreed.

TOURISM COMMUNITIES, CULTURE & LEISURE COMMITTEE

Thursday, 25 January 2024

61 2024-25 BUDGET REPORT UPDATE

The Director of Neighbourhood presented the report of the Director of Finance which provided an update on the budgets within the remit of the Committee in respect of forthcoming pressures and proposed savings that are being considered within the Medium-Term Financial Plan. It was also for the Committee to consider feedback and outcomes from the Budget Workshops which had been held. The Policy and Service Committees are responsible for those services being delivered under their operational headings within their annual budget envelope. The Policy and Resources Committee, in consultation with the respective Policy and Service Committees, has been charged by Council to formulate a draft Medium Term Financial Plan (MTFP) and budget to recommend to the Council. The Council was required to set a balanced budget each year and set a Medium-Term Financial Plan which considers the future pressures and savings options that will be taken forward to result in a balanced budget position. The Council faces a challenging financial outlook due to inflationary and demand pressures alongside the previous significant reductions in Government funding and uncertainty around the future financial settlements. It was noted that there were apparent pressures caused by achievement against targets for some areas of work but the targets themselves have been reconsidered ready for future budget proposals.

Members debated the implications of the proposals.

Resolved - That:

1. The indicative pressures and proposed savings detailed in Appendix 1 and 2 be noted; and

2. the Budget Workshop feedback and outcomes, as detailed in exempt Appendix 3 be agreed.

ENVIRONMENT, CLIMATE EMERGENCY AND TRANSPORT COMMITTEE

Monday 29 January 2024

69 2024-25 BUDGET REPORT UPDATE

The Director of Neighbourhood Services presented the report of the Director of Finance which provided an update on the budgets within the remit of the Committee in respect of forthcoming pressures and proposed savings considered within the Medium-Term Financial Plan (MTFS). Budget pressures relating to the Committee were outlined, which primarily related to inflationary increases in the Refuse & Street Cleansing contract, the Waste Levy and Transport Levy. It was reported that there were no specific budget savings within the remit of the Committee within the MTFS as savings had been identified within the Neighbourhoods Directorate within the remit of the Tourism, Communities, Culture & Leisure Committee.

Resolved – That

1. **The indicative pressures and proposed savings detailed in Appendix 1 and 2 be noted; and**

2. **The budget workshop feedback and outcomes, as detailed in appendix 3, be agreed.**

CHILDREN, YOUNG PEOPLE AND EDUCATION COMMITTEE

Thursday, 01 February 2024

7 2024-25 BUDGET REPORT UPDATE

The Finance Manager presented a report on behalf of the Director of Finance which provided an update on the budgets within the remit of the Committee in respect of forthcoming pressures and proposed savings that were being considered within the

Medium Term Financial Plan. The report noted that the Council had a legal responsibility to set a balanced budget, which set out how financial resources were to be allocated and utilised. The report highlighted the external challenges impacting the 2024/25 budget setting process and proposed options to address the challenges faced.

Resolved – That

1. **The indicative pressures and proposed savings detailed in Appendix 1 be noted; and**

2. **The Budget Workshop feedback and outcomes, as detailed in Appendix 3 be agreed.**

Appendix 4 – Schools Budget

WIRRAL COUNCIL

SCHOOLS FORUM – 23 JANUARY 2024

REPORT OF THE DIRECTOR FOR CHILDREN, FAMILIES AND EDUCATION

SCHOOLS BUDGET 2024-25

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to outline the Schools Budget for 2024-25 so that Schools Forum can give their views on the proposals. The report describes the financial changes to be considered by Schools Forum and Policy and Resources Committee. The proposed budget totals £378.55m for Early Years, Maintained Schools, Academies, Colleges, and Providers for the financial year 2024-25.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Schools Funding Allocations were issued by the Department for Education (DfE) on 19th December 2023. The format of the Dedicated Schools Grant (DSG) is unchanged with Local Authority allocations determined by the National Funding Formula (NFF) for Schools, High Needs and Early Years (EY). The main features include:

- School funding increased with every secondary school allocated at least £5,955 per pupil and every primary school allocated at least £4,610 per pupil.
- Local authorities will continue to set a Minimum Funding Guarantee in their local formulae, which for 2024-25 is between 0% and +0.5%.
- Rolling the 2023-24 Mainstream Schools Additional grant (MSAG) into the schools NFF, ensuring that this additional funding forms an on-going part of schools' core budgets.
- The Schools Block continues to be ring-fenced with limited flexibility to transfer up to 0.5% of the schools' block to High Needs with Schools Forum approval.
- High Needs funding increased by £440m, or 4.3% in 2024-25 nationally.
- EY hourly rates paid to local authorities will increase by £0.44 for 2-year old's and £0.23 for 3&4-year old's.
- EY Supplementary Grant is rolled into the 2024-25 hourly rates paid to local authorities.
- The rolling out of the EY Extended Entitlements announced in July 2023, starts from April 24 (working parents of 2-year-olds) and September 24 (working parents of children aged 9 months to 3 years-old)
- Central schools services block (CSSB) funding increased by 2.42% for the ongoing responsibilities that local authorities continue to have for all

schools, while funding for historic commitments within this block will decrease by a further 20% for those local authorities in receipt of this funding.

2.2 Other factors that have influenced the 2024-25 budget include:

- Existing and on-going demand on services.
- The High Needs strategy.

3.0 FINANCIAL IMPLICATIONS

3.1 The budget for 2024-25 is compiled from the base budget for 2023-24, approved by Council on 27th February 2023 and updated with the issues identified in this report. The total 2024-25 projected budget (DSG and council funded) is £378.55m. A detailed analysis of the 2024-25 budget changes is shown in Appendix 1 in addition to a comparison of the 2023-24 and 2024-25 budgets.

Table 1: Budget for 2024-25

	2024-25 Budget £m
Funding	367.635
Expenditure by funding block:	
Schools	262.515
Central Schools Service	4.611
High Needs	74.793
Early Years	36.633
Total expenditure	378.552
Contribution to/-from reserves	10.917

3.2 The contribution to/from reserves reflects the difference between the funding available and planned expenditure. 2024-25 results in a shortfall in funding and this is due to high needs activities where demand and complexity continue to rise.

4.0 FUNDING

Except for the PFI affordability gap of £2.59m, which is funded from Council resources, the schools budget is funded by the DSG.

4.1 Dedicated Schools Grant (DSG)

4.1.1 DSG is made up of 4 block allocations with restrictions on moving funding between the blocks. The allocation for 2024-25 indicates a £29.374m increase which is an overall increase of 8.75% The budgets presented have not transferred any funding between block allocations.

4.1.2 The table below compares the gross block funding for 2023-24 and 2024-25 and thus includes both maintained schools and academy school activity.

Table 2: Comparison of the gross block funding

DSG Block	2023-24 Gross Funding £m	2024-25 Gross Funding £m	Increase/-Reduction	
			£m	%
Schools	250.662	262.497	11.835	4.72%
Central School Services	2.058	2.022	-0.036	-1.76%
High Needs	60.534	63.894	3.360	5.55%
Early Years	22.418	36.633	14.215	63.41%
Total	**335.672**	**365.046**	**29.374**	**8.75%**

Please note that 2023-24 Schools block funding figure does not include the Mainstream Schools Additional Grant (£8.476m). From 2024-25, the funding previously distributed through this grant will be allocated through the schools block NFF, i.e. included in the 2024-25 Schools block funding allocation.

4.1.3 The allocations for the Schools and Central Schools Services funding blocks have been updated for changes in pupil numbers. Pupil numbers are those recorded in the October census, and have changed as follows:

Table 3: Changes in pupil numbers

Pupil numbers	Primary schools	Secondary schools	All-through schools	Total
October 2022 census	24,743	18,283	1,064	44,090
October 2023 census	24,258	18,343	1,066	43,667
Increase/-decrease	**-485**	**60**	**2**	**-423**

4.1.4 Early Years funding is based on the January 2023 census and the DfE estimated hours for working parents of 9 months to 3-year-old, therefore is indicative at this time.

4.1.5 An extra £440 million investment to support pupils with special educational needs and disabilities (SEND) is being allocated to local authorities nationally and used to fund special schools and provide mainstream schools with additional resources to meet the needs of pupils with complex SEND. This funding is allocated through the high needs NFF and included in the 2024-25 budget as per paragraph 3.1 above.

4.2 Additional Grant for 2024-25

4.2.1 In July 2023 the DfE announced the teachers' pay additional grant (TPAG) to support schools with the September 2023 teachers' pay award. £900m funding in 2024-25 is being split between mainstream schools, special schools and alternative provision (AP), early years, and 16 to 19 provision to cover the 2024 to 2025 financial year (April 2024 to March 2025).

4.2.2 The DfE has announced further funding to support with increases to employer contribution rates to the Teachers' Pensions Scheme from April 2024, however details have not been announced at the time of the report writing.

4.2.3 The above two grants will be allocated on top of the NFF 2024 -2025 except the funding for the EY. More details for the funding elements for the EY are in 5.4.3.

4.3 Other Grant Funding

4.3.1 In addition to DSG and the additional grants above, the following grants represent additional funding sources for schools and are not included in the budget.

4.3.2 Pupil Premium provides funding targeted towards deprivation. It has been confirmed that Pupil Premium rates will increase to £1,480 for primary pupils and £1,050 for secondary pupils in 2024-25. (£1,455 and £1035 in 2023-24 respectively)

4.3.3 The Schools Budget includes funding for High Needs students in 6th Forms. All other post 16 funding is through the National Funding Formula for 6th Forms and thus is not included in the budget.

5.0 BUDGET ALLOCATIONS 2024-25

5.1 Schools Block £262.515m

This budget reflects the delegated budgets allocated to both maintained and academy mainstream primary and secondary schools. In November 2019, the Schools Forum supported this block being redistributed to mainstream schools using the formula factor rates used in the NFF, thus this is the basis on which funding will be allocated to individual schools. The budget includes the 2023-24 Growth and Falling Roll fund planned to be carried forward to 2024-25 as agreed at the September Schools Forum meeting.

5.1.1 Academies

Currently there are 15 secondary academies, 25 primary academies and 1 all-through academy schools with 5 further primary schools confirmed to be academised within 6 months. Academies are independent from the local authority and are funded directly from the ESFA, however Regulations require Wirral to continue to calculate their budgets which are then deducted from Wirral's DSG.

5.1.2 Minimum Funding Guarantee (MFG)

For 2024-25 LAs can apply MFG of between 0% and plus 0.5% per pupil to protect schools from large formula changes. Following a consultation with all primary and secondary schools, School Forum in November 2023 supported a plus 0.5% MFG for the 2024-25 mainstream schools funding formula.

5.2 Central School Services Block £4.611m

5.2.1 This block provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England. Funding previously allocated to LAs for the Education Services Grant (ESG) retained duties is included within this block, together with funding for historic commitments.

5.2.2 Funding allocated to Local Authorities for historic commitments, which for Wirral are the contribution to combined budgets and schools retirement costs (school closure), has been reduced by 20% in line with the DfE's expectation that these costs will unwind over time.

The funding for ongoing responsibilities includes:

- School Licenses
- Admissions
- Schools Forum
- Former ESG retained duties
- Capital Expenditure from Revenue (PFI costs)

The table below identifies the change to the CSSB funding for 2024-25 analysed across the on-going and historic elements.

	On-going responsibilities £m	**Historic Commitments £m**	**Total £m**
2023-24 Final Allocation	1.675	0.383	2.058
2024-25 Allocation	1.715	0.307	2.022
Increase/(Reduction)	0.041	0.077	0.036
Increase/(Reduction)	2.42%	(20.00%)	(1.76%)

The treatment of these budgets, which are considered in further detail later in this report, is in accordance with national guidance.

5.3 High Needs Block £74.793m

This budget covers a range of related activities. The allocation of funding to each activity is based on the "place plus" funding system introduced by the DfE in April 2013 and includes:

- Special schools (pre- and post-16), and non-maintained special schools, both of which receive a base level funding of £10,000 per place.
- Resourced Provision (bases) which receive £6,000 per place.
- Place funding in Wirral's FE provision at Wirral Met College and Birkenhead 6th Form College of £6,000 per place.
- Additional funding over and above that provided for places in the form of "top ups" is provided on a per pupil basis. The top up, or "plus" element of funding, takes account of the agreed assessed needs of pupils and is paid by the "commissioner" responsible; this may be Wirral Children's Services,

a school, or another Local Authority. Wirral's top up system uses 5 bands to allocate funding across special schools, resourced bases, and alternative provision. Non-maintained Special Schools also receive a top up.

- The costs of Top Ups for all education and training for post 16 specialist provision for Learners with Learning Difficulties or Disabilities (LLDD) in colleges and private providers.
- The Hospital Schools budget.
- The cost of placements in Independent Special Schools.
- The costs of Education, Health and Care Plans and Independent Pupil Funding Arrangements.

5.4 Early Years Block £36.633m

5.4.1 This Block funds the costs of EY Education for 2, 3 and 4-year-old children in schools, nurseries, and private voluntary and independent providers for both the universal and extended entitlement. It also includes the costs of 9 months to 2-year-old (under 2s) children of working parents from September 2024. Most of this funding is directed through the EY National Funding Formula (EYNFF). This is allocated to Local Authorities based on an hourly rate which, for 2024-25, has increased by £0.44 for 2-year old's, and £0.23 for 3- and 4-year-old's for Wirral.

5.4.2 The funds in 2024-25 includes the first two stages of rolling out of the EY Extended Entitlements announced In July 2023.

- From April 2024 – all working parents of 2-year-olds can access 15 hours per week. (Hourly rates payable to the local authority is the same amount as the exiting 2-year-olds

- From September 2024 – all working parents of children aged 9 months to 3years-old can access 15 hours per week. (Hourly rates payable to the local authority is £10.75

5.4.3 In 2023-2024 the funding previously distributed through the teachers' pay and pension grant (TPPG) has been mainstreamed in the 3&4-year-olds funding rate. In 2024 to 2025, the funding being provided in respect of the September 2023 teachers' pay award. As well as the additional funding to support providers with the costs of employer contributions to the teachers' pension scheme which are due to increase from April 2024 are also included in the funding rate.

5.4.4 The central Early Years support costs will be funded from this block. Amounts held centrally are within the nationally defined limits of 5% of the Early Years Block.

5.4.5 This Block also includes allocations for Maintained Nursery Schools (MNS) to enable local authorities to protect the level of funding to MNS prior to the introduction of the EYNFF, Disability Access Fund (DAF) and Early Years Pupil Premium (EYPP).

5.4.6 The national funding rate for EYPP and DAF will increase in 2024-25 by £0.02 and £21 respectively.

6.0 2024-25 BUDGET CHANGES

6.1 Individual Schools Budget

6.1.1 **Primary, Secondary and Academy Budgets £11.853m increase.**

The significant changes within this area are as follows:

There is a net decrease in school rolls, which results in an overall budget decrease of £2.078m. There are 423 less pupils on the roll in October 2023 compared to October 2022. Primary numbers have reduced by 481 to 24,651 (a 1.91% reduction) while Secondary numbers have increased by 58 to 19,016 (a 0.31% increase).

The impact of changes in both the monetary value and pupil numbers applied to each of the funding formula elements has generated an increase in funding of £11.853m This also includes any headroom which may arise if the funding allocated to schools from applying to the NFF is less than the overall funding available. For the purposes of the budget report £11.853 has been split proportionately between primary and secondary budgets. There is £0.018m increase of the national non-domestic rates (NNDR) in 2024-25.

It has been agreed that £0.018m 2023-24 growth and Falling Rolls fund will be carried forward to 2024-25. The headroom mentioned above will be added to this fund to be utilised in 2024-25.

6.1.2 **High Needs Places £1.966m increase.**

Places in specialist provision within Local Authority areas continue to be determined by each LA in consultation with schools and providers. There is flexibility to adjust this so that places broadly reflect take-up by pupils and this has resulted in a net increase of 211 places across special school, resourced provision and 6th Form/FE provision.

Although a growth in demand was included in the special schools' budget in 2023-24 as additional unallocated places, the demand for the academic year 2023-24 has exceeded the growth budget. The 2024-25 budget includes 88 additional places from April 24 and further 60 places planned to be allocated from September 24.

Base Project, a new resourced provision programme, has been set up in 2022-23 with 3 schools and currently have 68 places in total.

6.1.3 **Hospital School £0.144m increase.**
The increase reflects the change in the Hospital School element of the high needs block.

6.2 Early Years £14.752m increase.

6.2.1 The EY budget is based on the January 2023 census and the DfE estimated hours for working parents of 9 months to 3-year-old in line with the funding allocation as the table below, together with the comparison with January 2022 census numbers.

Table 4: Early Years pupil numbers

Pupil numbers	Jan-22	Jan-23	DfE estimate
Under 2s (PTE) – 7 months			703
2-year old's Disadvantaged (PTE)	1,008	891	
2-year old's Working parents (PTE)			1,387
3&4-year-old's Universal (PTE)	4,374	4,339	
3&4-year-old's Extended (PTE)	2,254	2,271	

EY funding is indicative at this time and the DSG allocation will be revised by census information for January 2024 and January 2025.

6.2.2 The breakdown of £14.752m increase for the EY block from the previous year is as the table below:

Table 5: EY budget increase 2024-25

Extended entitlement from 2024-25 £m	Funding rate increase in 2024-25 £m	Demand Change in 2024-25 £m	Supplementary Grant element in 2024-25 £m	Total £m
10.826	1.236	0.537	2.153	14.752

6.2.3 The expenditure budget relates mainly to the payments to providers, and this will aim to maximise the pass-through of funding to providers whilst ensuring that the service can respond to need and uncertainty.

6.3 Central School costs

The centrally held budgets for 2024-25 funded by the CSSB of the DSG have decreased by £0.036m. The services delivered by these budgets are explained below along with the reasons for any changes to the budget for 2024-25.

- School Admissions - this budget is required to meet the costs of supporting and administering the authority's school admissions process including the 11 plus. A small increase of £0.018m has been applied to this budget to reflect forecast staff costs.
- School redundancy costs - this budget covers the continuing cost of premature retirement of teachers and staff that have arisen from closing schools. No further closures are expected for 2024-25 thus costs to be incurred reflect historic commitments and are expected to be reduced by £0.002m.
- Licences and Subscriptions - the DfE purchases a single national licence for all state funded schools. Licences cover areas such as the Copyright Licence Agency, the Education Recording Agency, the Mechanical Copyright Protection Society, and a School Printed Music Licence. The

2024-25 budget has increased by 10% to £0.301m anticipating the cost increase, this is subject to change when the 2024-25 costs are announced by the DfE.

- Schools Forum - this budget will not be fully utilised in 2023-24 even though the meetings fully return to face-to-face meetings. Thus, it is proposed that the budget allocation has been removed in 2024-25 and any costs incurred will be covered by the contingency budget below.
- Contingency – this reflects the 'headroom' of £0.033m within the Central School Services Block for 2024-25.
- Contributions to combined budgets – School Funding Regulations continue to allow contributions to support services that would otherwise fall outside the Schools Budget. These budgets combine with other council resources for the educational benefit of children. There must be no new commitments or increases in expenditure from that agreed in 2012-13, and DfE expect that these costs will unwind over time. For this reason, funding from DfE has been reduced by 20% for 2024-25.

Table 5: Contributions to combined budget.

		23-24	24-25	Reduction	
		£m	£m	£m	%
School Improvement	Continued support for School Improvement Staff with permanent contracts	0.202	0.162	-0.040	-20%
LSCB	Contribution towards governance process for child protection	0.018	0.015	-0.003	-20%
School Intervention	Consultant Headteacher role supporting Primary & Secondary education	0.083	0.067	-0.016	-20%
PFI (Support)	Contribution towards the asset management costs to support PFI schools	0.038	0.030	-0.008	-20%
PFI (CLC)	Contribution towards the building costs for closed City Learning Centres	0.042	0.034	-0.008	-20%
Looked after Children Education Services	The service reviews the educational progress of Looked After Children, provides training to staff and some direct support to pupils	0.086	0.069	-0.017	-20%
Business Rates	Funding for continuing costs for VA Schools	0.065	0.052	-0.013	-20%
Governors Forum	Contribution towards the cost of maintaining the Forum	0.001	0.001	-0.000	-20%
Total		**0.536**	**0.429**	**-0.107**	**-20%**

- The PFI Affordability Gap budget is driven by the December RPI%. As this is not yet available, no change has been made to the 2024-25 budget at this time. The impact of the change in RPI% will be applied to the budget later in January 24 but as this is a Wirral Council funded budget, any change will have no impact on the DSG funding available to schools.

- The budget for retained duties of the former Education Services Grant (ESG) is uplifted by 2.42% for 2024-25 in line with the funding increase for the ongoing responsibilities as mentioned in 5.2.2 above. Overall, the DSG contributes £1.2m towards the cost of services that were previously funded from the ESG. In 2023-24 the Forum agreed to de-delegate £0.5m on behalf of Maintained Primary, Secondary and Special Schools towards the full year costs of ESG General Duties.

6.4 De-delegated budgets

As in previous years the budgets held for Contingency, Special Staff (maternity, paternity, and trade union duties), the School Library Service, Insurance (Governors Aided), and Behaviour Support have been delegated to schools, and a decision will be required for any de-delegation from existing school budgets for these services. A decision will also be required for de-delegation of costs associated with the former General Duties of the ESG and School Improvement.

6.5 High Needs Pupils

6.5.1 **Additional Resource £3.878m increase.**

The budget for Units of Resource has been increased by £3.878m to reflect the on-going increase in applications for assessment and the costs. An increase has been applied for Primary pupils (£0.975m) and Secondary pupils (£2.768m) with the cost per EHCP pupil uplifted by 17.6%.
The other budgets in this area including the personal budget, interim education and inclusive practice, are adjusted based on the demand in 2023-24.

6.5.2 **Top-Ups £3.338m increase.**

The established banding system will be used to allocate element 3 top up funding to each specialist provision. This budget has been increased by £1.338m in line with the increase in places across special schools, resourced provision and 6th Form/FE provision as identified in the Individual Schools Budget section. An additional £2m has been set aside for a review of the top up band rates in 2024-25.
A small increase in funding for Exceptional Need, which is available to Special Schools where an assessed pupil's needs indicate that enhanced staffing is necessary. The budget has been increased by £0.101m to reflect the forecast increase in staff costs.

6.5.3 Independent Special Schools £4.26m increase.

The increase in the 2024-25 budget reflects the additional demand in places and inflation on the costs which were identified in 2023-24.

6.5.4 Support for SEN £0.25m increase.

The budget has been increased based on 2023-24 pressure due to the additional commissioned services and pay awards.

7.0 USE OF RESERVES

As reported in a separate report at this Forum meeting, the DSG reserve is expected to end 2023-24 with a cumulative deficit of £9.976m. The impact on the DSG reserve of the budget setting process reflects a worsening position for 2024-25 with a cumulative deficit of £20.893m.

8.0 BUDGET TIMETABLE

The Schools Budget and advice from Forum will be considered by the Policy and Resources Committee at its budget meeting on 13th February 2024 and will be approved by full Council as part of Budget Council on 26th February 2024.

9.0 Medium term forecast and DSG deficit management plan

As previously reported at the Schools Forum meetings, Wirral has been participating the DfE led the Delivering Better Value Programme (DBV). The diagnostic phase working with Newton Europe ended in December 23 and the budget setting for 2024-25 has utilised the findings and outputs from the phase.

The next step of the programme is working on the DSG deficit management plan with the Chartered Institute of Public Finance and Accountancy (CIPFA) for further deficit mitigations for the 20224-25 and the future years.

Further details of the DBV programme and the progress in the deficit management plan will be reported at the next Forum meeting.

10.0 RECOMMENDATIONS

10.1 That the views of the Schools Forum are sought on the Schools Budget for 2024-25.

10.2 That in accordance with ESFA guidelines the Schools Forum approves the reduced Contributions to Combined Budgets of £0.429m in 2024-25 for:

- School Improvement
- Local Safeguarding Children’s Board
- School Intervention
- PFI Support
- PFI CLC
- Looked after Children Education Services
- Business Rates, and
- Governors Forum

10.3 That the Schools Budget and views of the Schools Forum are referred to the budget meeting of the Policy and Resources Committee on 13th February 2024.

Simone White
Director for Children, Families and Education
Appendix 1 - Schools Budget changes 2024-25

	£m	£m	£m
2023-24 Schools adjusted base budget			206.968
Add back Academy recoupment			131.179
2023-24 Gross Schools Budget			**338.147**
Budget changes:			
Individual Schools Budget			
Primary & Secondary:			
Net decrease in pupils on roll	-2.078		
Funding Formula elements	13.931	11.853	
Rates	-0.018		
Growth and Falling Rolls Fund	0.018		
High Needs:			
Special Schools places	1.563		
SEN Base places	0.316	1.966	
FE/6th Form places	0.087		
Hospital School	0.144	0.144	13.963
Early Years			
Early years demand		0.537	
Early years rate change		1.236	
Extended entitlement		10.826	
Supplementary Grant element		2.153	14.752

Central School Costs			
Admissions		0.018	
School Redundancy Costs		-0.002	
Licences & subscriptions		0.014	
Schools Forum		-0.011	
Contingency		0.033	
Combined budgets reduced contribution		-0.107	
Retained Duties		0.018	
PFI Affordability Gap		0.000	-0.036
High Needs Pupils			
Additional Resources:			
Units of resource	3.742	3.878	
Personal Budgets	0.135		
Top-ups:			
Top-ups	3.237		
Additional funding 2023-24	-0.976	3.338	
Additional funding 2024-25	0.975		
Exceptional need	0.101		
Independent provision		4.260	
Support for SEN uplift		0.250	11.726
Total Budget changes			**40.405**
2024-25 Gross Schools Budget			**378.552**
2024-25 Dedicated Schools Grant			365.046
2024-25 Call on reserve			10.917
2024-25 Net Schools Budget			**2.590**

Appendix 2 - Schools Budget 2024-25

	2023-24 Budget £	2023-24 Forecast (Nov-23) £	2024-25 Budget £
Individual Schools Budget			
Primary	95,740,421	95,740,421	127,789,603
Secondary	24,026,697	24,026,697	134,707,578
Special	14,861,376	15,339,488	16,535,978
Wirral Hospitals School	1,723,463	1,723,463	1,872,428
SEN Bases	1,272,499	1,253,243	2,386,500
Sixth Form/Further Education	146,000	204,000	1,701,000
Growth and Falling Rolls Fund	17,674		17,674
Individual Schools Budget Total	**137,788,130**	**138,287,312**	**285,010,761**
Central School Costs			
Early Years	**21,430,382**	**21,430,382**	**36,182,760**
Admissions	402,604	415,616	420,731
School Redundancy Costs	74,000	74,000	72,000
Licenses and subscriptions	286,976	286,976	301,325
Schools Forum	10,600	0	0
Contingency	17,718	0	51,198
Contribution to combined budgets	535,883	535,883	428,708
PFI Affordability Gap	2,589,553	2,589,553	2,589,553
Retained duties Central (ex-ESG)	730,000	730,000	747,700
Costs delegated to/de-delegated from schools			
Library Service	174,693	174,693	0
Insurances	23,677	7,000	0
School Specific contingencies	30,204	30,204	0
Special Staff Costs	758,135	773,154	0
Behaviour Support	139,698	139,698	0
School Improvement	468,754	468,754	0
Retained duties de-delegated (ex-ESG)	485,923	485,923	0
High Needs Pupils			
Additional resources	10,802,569	12,470,613	14,680,084
SEN top-ups	18,185,525	18,396,389	21,523,882
High Needs contingency	687,205	748,810	687,205
Independent Special Schools	8,795,780	10,969,559	13,055,645
Home Tuition	364,166	371,416	364,166
Support for SEN	2,127,817	2,309,123	2,377,817
Special School Transport	58,200	58,200	58,200
Non-delegated school costs Total	**47,749,680**	**52,035,564**	**57,358,214**
Total Costs	**206,968,192**	**211,753,258**	**378,551,735**
Funding			
Dedicated School Grant	-204,165,353	-203,949,623	-365,045,621
Contribution to/-from DSG Reserve	-213,286	-5,214,082	-10,916,561
Funding Total	**-204,378,639**	**-209,163,705**	**-375,962,182**
Grand Total	**2,589,553**	**2,589,553**	**2,589,553**
Surplus/-deficit b/fwd	-4,762,638	-4,762,638	-9,976,720
In year surplus/-deficit	-213,286	-5,214,082	-10,916,561
Surplus/-deficit cfwd	-4,975,924	-9,976,720	-20,893,281

Note: The 2024-25 budget figures, in the table above, include all maintained schools budgets as well as academies budgets. The 2023-24 budgets only includes figures for maintained schools. The reason for this is that, whilst the overall funding figures for 2024-25 have been released, the detailed individual school breakdown of funding has not been finalised and so it is not yet possible to accurately exclude academies figures from the 2024-25 budget.

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Appendix 5 – Provisional Council Tax Statutory Calculations

The Statutory Calculations and Resolution

It be noted that in accordance with Section 31B of the Local Government Finance Act 1992 (as amended), that Policy and Resources Committee on 17th January 2024 calculated the Council Tax Base 2024/25 for the whole of the properties in its area as 95,993.93 (Item T in the statutory formula).That the following amounts be calculated and approved by the Council for the year 2024/25 in accordance with Sections 32-36 of the Local Government Finance Act 1992 (as amended) ("the Act"):

a) £181,257,659 being the amount calculated in accordance with Section 31A (4) of the Act (amended) as the Council Tax Requirement for 2024/25 (item R in the statutory formula). This amount (D) is determined as being the difference between:

i) £1,080,867,355 this being the aggregate of the amounts calculated in accordance with Section 31A (2) of the Act (as amended), i.e., the aggregate of the amounts that the Council estimates that will be charged to a revenue account for the year in performing its functions, that are required to be set aside for contingencies and reserves and required to be transferred from its General Fund to its Collection Fund in the year and

ii) £899,609,698 this being the amount calculated in accordance with Section 31A (3) of the Act (as amended), i.e. the aggregate of the amounts of income, excluding the Council Tax Requirement, that the Council estimates will be credited to a revenue account for the year in accordance with proper practices, the amount of reserves that are estimated to be used to provide for the items referred to in paragraph (a) above, and required to be transferred from its Collection Fund to its General Fund in the year.

b) £1,888.22 being the amount calculated in accordance with Section 31B (1) of the Act (amended) as the Basic Amount of Council Tax for 2024/25. This amount being calculated as item R divided by item T (as above).

c) That in accordance with section 36(1) of the Act that the following amounts are calculated for each valuation band in the area:

Wirral –Basic Amount of Council Tax per Valuation Band

A	B	C	D
1,258.82	1,468.62	1,678.42	1,888.22
E	F	G	H
2,307.83	2,727.43	3,147.04	3,776.45

These amounts being the amounts given by multiplying the amount calculated as the Basic Amount of Council Tax by the number which in the proportion set out in Section 5(1) of the Act is applicable to dwellings in a particular valuation band which is applicable to dwellings listed in valuation Band D.

It be determined that the amount set in c) above as the Council's Basic Amount of Council Tax for 2024/25 is not excessive in accordance with the principles determined by the Secretary of State under section 52ZC of the Act (as amended) and that no Referendum to approve the Basic Amount of Council Tax is required. The Settlement included provision for local authorities with social care responsibilities to increase the level of Council Tax by 2% for the Adult Social Care precept and by 2.99% for the Council element (an increase of 3% or above would require a Referendum, as per the Local Government Finance Settlement for 2024/25). Where Council Tax is increased at or above 5% a local referendum will be required. The overall proposed increase in the Wirral basic Council Tax is 4.99%, including a Council increase of 2.99%, and is therefore within the Settlement's ceilings.

Wirral –Basic Amount of Council Tax Comparison for Referendum

	2023/24	2024/25	Change	Change
	£	£	£	%
Band D	1,798.48	1,888.22	89.74	4.99%

To note that the Police and Crime Commissioner for Merseyside, the Merseyside Fire and Rescue Service and the Liverpool City Region Combined Authority issue precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area. This will be as indicated in the tables which when received will be included in updated tables to Council.

Police and Crime Commissioner for Merseyside

A	B	C	D
TBC	TBC	TBC	TBC
E	F	G	H
TBC	TBC	TBC	TBC

Merseyside Fire and Rescue Authority

A	B	C	D
TBC	TBC	TBC	TBC
E	F	G	H
TBC	TBC	TBC	TBC

Liverpool City Region Combined Authority –Mayoral Precept

A	B	C	D
£12.67	£14.78	£16.89	£19.00
E	F	G	H
£23.22	£27.44	£31.67	£38.00

That having calculated the amounts for Wirral together with the Police, Fire and Liverpool City Region – Mayoral Precept the Council in accordance with Section 30 (2) of the Act hereby sets the following amounts as the total amount of Council Tax for the year 2024/25 for each of the categories of dwellings.

Total Council Tax for Wirral

A	B	C	D
TBC	TBC	TBC	TBC
E	F	G	H
TBC	TBC	TBC	TBC

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Discretionary Rate Relief Policy

Wirral Council

2024/2025

INDEX

1. INTRODUCTION

1.1 As part of its role in the administration of National Non Domestic Rates (NNDR) (more commonly referred to as Business Rates) Wirral Council has several areas where it can exercise its discretion to provide reductions to the amounts of business rates that are due to be paid.

1.2 Since April 2017, the Council has participated in the 100% Business Rates Retention Pilot scheme. This means that at present under the Pilot:

- Mandatory Relief is financed 99% by the Council and 1% by the Merseyside Fire and Rescue Authority
- Discretionary Relief is financed 99% by the Council and 1% by Merseyside Fire and Rescue Authority

1.3 This policy outlines the areas of local discretion and the Council's approach to the various awards. This approach has regard to the impact

- of granting Discretionary Rate Relief on the Council's wider financial position and Council Tax payers;
- on the organisations and businesses that currently receive or may apply for relief in the future;
- for Wirral residents if relief is awarded and the regeneration benefits to the borough.

1.4 The principal consideration when making an award is that any relief granted is in the best interests of the residents and taxpayers of Wirral and produces a local benefit.

1.5 In addition the Council also operates a number of schemes which are funded fully by the government summarised at 2.3 below.

2. DISCRETIONARY RATE RELIEF SCHEME

2.1 The Local Government Finance Act 1988 requires the Council to maintain a Discretionary Rate Relief Scheme to award Business Rates Relief of up to 100% to certain organisations who operate within specified criteria.

2.2 This includes:

- Charitable bodies (who receive 80% relief) The Council has further discretion to "top up" this relief to 100% of the rates due.
- Registered community amateur sports clubs (CASC's) (who receive mandatory 80% relief). The Council has further discretion to "top up" this relief to 100% of the rates due.

- Non-profit making organisations. The Council has further discretion to grant "standard" discretionary rate relief of between 0 to 100% of the business rates due.

- Hardship Relief. Section 49 of the Local Government Finance Act allows the Council to exercise its discretion to provide either partial or full relief from Non-Domestic Rates in cases of hardship where it would be reasonable to do so having due regard to the interests of council tax payers in general.

- Part Occupation Relief. Section 44(a) of the Local Government Finance Act 1988 allows the Council to exercise its discretion to grant relief on business premises that are partly occupied, as long as this situation is for a short time

2.3 There are also four schemes administered by the Council, where any relief granted is wholly funded by central government subject to specific criteria. The Council will be using its discretionary powers under section 47 of the Local Government Finance Act 1988 as amended to grant relief. Central government will fully reimburse the Council using a grant under Section 31 of the Local Government Act 2003.

- The Supporting Small Business Relief scheme for ratepayers who are losing some or all of their small business rate relief as a result of a large rateable value increase following the 2017 revaluation. The scheme has been extended for one year as a result of the 2023 revaluation. The relief is fully funded fully via Section 31 Grant.

- Relief for Local Newspapers. The Council has discretion to award a discount of £1,500 office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament. The relief is fully funded via Section 31 Grant. This relief will cease at 31st March 2025, unless extended further by legislation.

- 75% Relief for businesses in the Retail, Hospitality and Leisure sectors for 2024/25.

- Freeport, a 100% relief for qualifying businesses in the designated Liverpool City Region Freeport area

3. CHARITABLE BODIES

3.1 A Mandatory Rate Relief of 80% is granted to charities in the following circumstances. Where the:

- ratepayer of a property is a charity or the trustees of a charity; and

- property is wholly or mainly used for charitable purposes (including charity shops, where the goods sold are mainly donated and the proceeds are used for the purpose of the charity).

3.2 The Council does not have discretion regarding awarding Mandatory Rate Relief, however the Council must be satisfied that the statutory criteria has been met. For this purpose the Council will use guidance provided in both the Local Government Finance Act 1988, and by reference to other enactments and case law.

3.3 Registration under the Charities Act 1993 is conclusive evidence of charitable status and the Council will refer to the Charity Register for evidence of this. Absence from the register does not mean an organisation has not been established for charitable purposes as certain organisations are exempt from registration under the Charities Act 1993.

3.4 In cases where a charity is in receipt of mandatory rate relief of 80%, the Council has discretion to grant up to 20% additional rate relief. This is known as Discretionary Rate Relief top up.

3.5 The Council will consider applications for a Discretionary Rate Relief top up from charities based on their own merits, on a case-by-case basis. However, the principal consideration is that the relief is in the best interests of the residents and taxpayers of Wirral and produces a local benefit as the Council must contribute to the cost of each award. As such, top up will be awarded to only the following type of registered charities:

- Scouts, guides, cadets and other clubs/associations for young people;
- Community schemes encompassing organisations providing support for those over the age of retirement, community transport, those based on volunteering and residents associations;
- Organisations providing support in the form of advice, training for employment, counselling;
- Organisations that provide services that address the consequences of ill health and disability;
- Charitable sporting clubs;
- Locally based leisure and cultural organisations;
- Armed forces veterans associations
- Locally based charities;
- Charity shops (operated by either locally based or national charities);
- Local child care providers registered as charities.

3.6 Applications for Discretionary Rate Relief can be made via the online Discretionary Rate Relief Form

3.7 Applications for Discretionary Rate Relief top up must be supported by, and include:

- The applicant organisation’s main purposes and objectives, as set out in, for example, a written constitution, a memorandum of association, or set of membership rules;

- A full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available, projected figures should be provided instead;

- Details of how the organisation meets the criteria outlined in these guidelines objectives

3.8 In determining the application, the following matters will be taken into consideration:

- How the charity supports and links into the Council’s Corporate Objectives:

- The purpose of the charity and the specific activity carried out within the building for which the relief is requested:

- Whether the charity operates at a local or national level and where appropriate, the local and national funding streams and financial position of the charity

3.9 Registered Social Landlords, universities, further education colleges and independent schools are specifically excluded from receiving discretionary rate relief as per Cabinet decision dated 10 January 2008.

3.10 If an organisation in receipt of Discretionary Rate Relief top up ceases to meet the eligibility criteria outlined in this policy, it will cease to receive Discretionary Rate Relief. The Council will give such organisations twelve months written notice prior to the withdrawal of the Discretionary Rate Relief top up

3.11 The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Revenues and Benefits and the Section 151 Officer.

3.12 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

3.13 Applicants will be informed in writing of the outcome of their application as soon as possible.

3.14 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

3.15 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

4. REGISTERED COMMUNITY AMATEUR SPORTS CLUBS (CASC)

4.1 A mandatory rate relief of 80% is granted to registered Community Amateur Sports Clubs (CASC). To qualify as a CASC, a sports club must fulfil all of the following criteria. It must be

- Open to the whole community;
- Run as an amateur club;
- A non-profit making organisation; and
- Aiming to provide facilities for, and encourage people to take part in, eligible sport.

4.2 In cases where a CASC is in receipt of Mandatory Rate Relief of 80%, the Council has discretion to grant up to 20% additional rate relief as a Discretionary top up

4.3 The Council will consider applications for a Discretionary Rate Relief top up from CASCs based on their own merits on a case by case basis. The principal consideration is that any relief is in best interests of the residents and taxpayers of Wirral and produces a local benefit as the Council must contribute to the cost of each award.

4.4 Applications for a Discretionary top up can be made through the online Discretionary Rate Relief claim form

4.5 Applications for a Discretionary top up must be supported by, and include:

- The applicant organisation's main purposes and objectives, as set out in, for example, a written constitution, a memorandum of association, or set of membership rules;
- A full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available, projected figures should be provided instead;
- Details of how the organisation meets the criteria outlined in these guidelines.

4.6 In determining the application the following matters will be taken into consideration:

- How the CASC supports and links into the Council's Corporate objectives;
- A club should have an open access policy. If a club effectively discriminates by only accepting members who have reached a particular standard, rather than seeking to promote the attainment of excellence by enhancing access and the development of sporting aptitude, then it does not fulfil the requirements;
- The extent to which the facilities provided reduce the demand for Council services or produce savings to the council

- Membership must be open to everyone, regardless of race, ethnic origin, sex, marital or parental status, sexual orientation, creed, disability, age, religious affiliation or political belief,

- If the organisation applying for a Discretionary Rate Relief requires membership or an entry fee, the Council will consider whether:

    - The subscription or fee is set at a level which is not prohibitively high and considered to be affordable by most sections of the community

    - Fee reductions are offered for certain groups such as, for example, under 18s or over 60s

        - Membership is encouraged from groups who face social barriers, such as, for example, young people not in employment, education or training; people above working age or people with disabilities

        - Facilities are made available to people other than members

4.7 It should be noted that sports clubs which run a bar are unlikely to be awarded relief if their main purpose is the sale of food or drink. However, if the sale of food or drink by the organisation aids the overall operation and development of the organisation in achieving its objectives, this would be permissible as long as the principal objectives of the organisation meet the eligibility criteria detailed at 4.1. If the bar makes a profit, this profit must be reinvested to support the organisation in achieving its principal objectives. Financial information will be required to evidence any profit and its use.

4.8 The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Revenues and Benefits and the Section 151 Officer.

4.9 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

4.10 Applicants will be informed in writing of the outcome of their application as soon as possible.

4.11 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

4.12 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

5. NON-PROFIT MAKING ORGANISATIONS INCLUDING COMMUNITY INTEREST COMPANIES (CIC)

5.1 The Council has the power to grant discretionary rate relief of up to 100% for the rates due to non-profit making organisations. The main objectives of the organisation must be related to:

- Relief of poverty;
- Advancement of religion;
- Advancement of education;
- Social Welfare;
- Science;
- Literature;
- Fine arts;
- Recreation

5.2 An organisation must be able to demonstrate how it

- meets local needs and benefit local people; and
- provides a valuable service to the community; and
- is open to all sections of the community; and operates in such a way that it does not discriminate against any section of the community; and
- is not conducted or established for the primary purpose of accruing profit.

5.3 The Council will consider applications for a Discretionary Rate Relief top up from non-profit making organisations based on their own merits, on a case by case basis. The principal consideration is that any relief is in the best interests of the residents and Council Tax payers of Wirral and produces a local benefit as the Council must contribute to the cost of each award. As such, top up will only be awarded to the following type of non-profit making organisations:

- Scouts, guides, cadets and other clubs/associations for young people;
- Community schemes encompassing organisations providing support for those over the age of retirement, community transport, those based on volunteering and residents associations;
- Organisations providing support in the form of advice, training for employment or counselling;
- Organisations that provide services that address the consequences of ill health and disability;
- Locally based leisure and cultural organisations;
- Armed forces veterans associations.

5.4 If the organisation applying for DRR requires membership or an entry fee, the Council will consider whether:

- Membership is open to everyone, regardless of race, ethnic origin, sex, marital or parental status, sexual orientation, creed, disability, age, religious affiliation or political belief.
- The subscription or fee is set at a level which is not prohibitively high and considered to be affordable by most sections of the community.
  - Fee reductions are offered for certain groups such as, for example, under 18s or over 60s.
  - Membership is encouraged from groups who face social barriers, such as, for example, young people not in employment, education or training; people above working age; or people with disabilities.
    - Facilities are made available to people other than members

5.5 Applicants will be encouraged to submit their applications through an online Discretionary Rate Relief Form

5.6 Applications for DRR must be supported by, and include:

- The organisation's main purposes and objectives, as set out in, for example, a written constitution, a memorandum of association, or set of membership rules.

- A full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available, projected figures should be provided instead.

- Details of how the organisation meets the criteria outlined in these guidelines.

5.7 If an organisation in receipt of DRR ceases to meet the eligibility criteria outlined in this policy, it will cease to receive DRR. The Council will give such organisations twelve months written notice prior to the withdrawal of DRR.

5.8 The Council delegates the decision-making power for Discretionary Rate Relief awards to the Head of Revenues and Benefits and the Section 151 Officer.

5.9 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

5.10 The granting of relief will be reviewed annually and those in receipt of DRR may be asked to supply or confirm relevant information for the purpose of the review.

5.11 Applicants will be informed in writing of the outcome of their application as soon as possible.

5.12 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

5.13 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

6. HARDSHIP RELIEF

6.1 The Council has the power under Section 49 of the Local Government Finance Act 1988 to reduce or remit the Non-Domestic Rates charged in certain circumstances where the applicant organisation is enduring temporary financial difficulties. This is known as Discretionary 'Hardship' Relief.

6.2 The Council may grant Discretionary Hardship Relief if it is satisfied that:

- The ratepayer would sustain financial hardship if the Council did not do so, and,
- It is reasonable for the Council to grant relief, with regard to the interests of its residents and Council Tax payers.

6.3 Discretionary Hardship Relief is a temporary measure which should not be used to artificially sustain a failing business. Discretionary Hardship Relief will be awarded where the applicant organisation is facing temporary financial difficulties and where the community would be significantly disadvantaged if the business were to close due to these temporary financial constraints.

6.4 When deciding to award hardship relief, as well as being confident that the organisation is experiencing hardship, the principle consideration will be that any relief is in the best interests of the taxpayers of Wirral as the Council must bear the cost of any relief granted.

6.5 Applicants will be encouraged to submit requests for Discretionary Hardship Relief through the use of an online Discretionary Rate Relief claim form.

6.6 Applications for Discretionary Hardship Relief be accompanied by full set of audited accounts relating to the two years preceding the date of application. Where audited accounts are not available for the current financial year, projected figures should be provided instead. It is recommended that applicant organisations submit audited accounts dating back further than two years, if such information is available.

6.7 Discretionary Hardship Relief is awarded as a temporary measure in accordance with the applicant organisations circumstances and the anticipated length of the financial difficulties.

6.8 The Council delegates the decision making power for Discretionary Rate Relief awards to the Head of Revenues and Benefits and the Section 151 Officer.

6.9 The initial recommendations to award or refuse a Discretionary Rate Relief top up will be made by the staff from the Business Rates section.

6.10 Applicants will be informed in writing of the outcome of their application as soon as possible.

6.11 The granting of relief will be reviewed annually and those in receipt of Discretionary Rate Relief may be asked to supply or confirm relevant information for the purpose of the review.

6.12 The Council recognises that there will be occasions when the applicant body does not appear to satisfy the criteria generally applied but where the Council may choose to award relief. The Council has the ability to depart from its general policy as to granting relief if it sees fit to do so, taking into account the facts of each case and the interests of residents and Council Taxpayers.

7. PART OCCUPATION RELIEF

7.1 Section 44(a) of the Local Government Finance Act 1988 enables the council to grant relief on business premises that are partly occupied, as long as this situation is for a short time

7.2 The length of this period is at the council's discretion and will be considered on the basis of each application for his relief.

7.3 The situation must be happening at the present time, so retrospective claims cannot be considered.

7.4 Applications for Part Occupied Relief can be made via the online Discretionary Rate Relief Form

7.5 Applications for Part Occupied Relief top up must be supported by, and include

- A plan of the property clearly marking the areas that are occupied and unoccupied.
- The reasons why the property is unoccupied
- A plan will also be required to show it is intended to bring the unoccupied part back into use and within what timescales.

7.6 The Council delegates the decision making power for Part Occupied Relief awards to the Head of Revenues and Benefits and the Section 151 Officer.

7.7 The initial recommendations to award or refuse a Part Occupied Relief will be made by the staff from the Business Rates section.

7.8 Applicants will be informed in writing of the outcome of their application as possible.

8. SUPPORTING SMALL BUSINESS SCHEME

8.1 At Autumn Statement 2022 the Chancellor announced that a new Supporting Small Business (SSB) relief scheme which will cap bill increases at £600 per year for any business losing eligibility for Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation. The scheme also provides support for those previously eligible for the 2022/23 SSB scheme and facing large increases in 2023/24 but in those cases for one further year only.

8.2 The Council will make the award automatically without the completion of an application form.

8.3 Full details of the Local Authority Guidance can be found at https://www.gov.uk/government/publications/business-rates-relief-2023-supporting-small-business-relief-local-authority-guidance

8.4 A change of ratepayer will not affect eligibility for the scheme unless the property becomes vacant or occupied by a charity. Normal European State Aid de-minimis rules apply to the award.

8.5 Small Business Support will be awarded under Section 47 of the Local Government Finance Act 1988. The authority will be fully reimbursed for the costs of granting this relief under Section 31.

9. SUPPORT FOR LOCAL NEWSPAPERS

9.1 From 1 April 2017 the Government has provided funding to local authorities to provide a discount of £1,500 per year to office space occupied by local newspapers. The relief is specifically for local newspapers and is not available to magazines.

9.2 To qualify the property must be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters. The amount of relief is limited to a maximum of one discount per newspaper title and per property.

9.3 The relief is fully funded by Central Government. This discount will cease at the 31st March 2025 unless extended by legislation.

10. 2024/25 RETAIL, HOSPITALITY AND LEISURE BUSINESS RATES RELIEF SCHEME

10.1 At the Autumn Statement 2022 the Chancellor announced an updated business rates relief scheme for retail, hospitality, and leisure properties. The 2024/25 Retail, Hospitality and Leisure (RHL) relief scheme will provide eligible, occupied, retail, hospitality, and leisure properties with 75% relief, up to a cash cap of £110,000 per business.

10.2 Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England. Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps.

10.3 The RHL relief scheme guidance provides local authorities with information about the intended operation and delivery of the policy.

10.4 Wirral Council will include details of the relief to be provided to eligible ratepayers for 2024/25 in their bills for the beginning of the 2024/25 billing cycle.

10.5 This is a temporary measure and only relates to rate liabilities for 2024/25 unless specifically extended and funded by central government.

10.6 The value of discount will be as determined by the government and will be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.

10.7 Where Wirral Council applies a locally funded relief, for instance a hardship fund, under section 47 this will be applied after the Retail Discount.

10.8 The criteria for the relief has been outlined by the government as follows, The relief is subject to the £110,000 cash cap per business, the total amount of government-funded relief available for each property for 2024/25 under this scheme is:

a. For chargeable days from 1 April 2024 to 31 March 2025, 75% of the chargeable amount.

10.9 Eligibility for the Retail, Hospitality and Leisure Relief Scheme

Hereditaments that meet the eligibility for Retail, Hospitality and Leisure scheme will be occupied hereditaments which meet all of the following conditions for the chargeable day:

a. they are wholly or mainly being used:

1. as shops, restaurants, cafes, drinking establishments, cinemas or live music venues
2. for assembly and leisure; or
3. as hotels, guest & boarding premises or self-catering accommodation

1. We consider shops, restaurants, cafes, drinking establishments, cinemas and live music venues to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms

- Second-hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

iv. Hereditaments which are being used as cinemas

v. Hereditaments that are being used as live music venues:

- Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).

- Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

2. We consider assembly and leisure to mean:

i. **Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities):**

- Sports grounds and clubs
- Museums and art galleries
- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours
- Casinos, gambling clubs and bingo halls

ii. **Hereditaments that are being used for the assembly of visiting members of the public:**

- Public halls
- Clubhouses, clubs and institutions

3. We consider hotels, guest & boarding premises and self-catering accommodation to mean:

i. **Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:**

- Hotels, guest and boarding houses
- Holiday homes
- Caravan parks and sites

To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

10.11 The list set out above is not intended to be exhaustive. However, it is provided by Government as a guide to the types of uses that is considers for this purpose to be retail. The Council will determine on a case-by-case basis whether particular properties/businesses not listed are broadly similar in nature to those above and, if so, to consider them to be retail. Conversely, properties that were not broadly similar in nature to those listed above will not be considered to be retail.

10.12 The list below sets out the types of uses that the government does not consider to be an eligible use for the purpose of this discount. Again, it is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the discount under their local scheme.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, short-term loan providers, betting shops)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

10.13 Retail discount relief will be awarded under Section 47 of the Local Government Finance Act 1988. The authority will be fully reimbursed for the costs of granting this relief under Section 31.

10.14 Businesses have right to refuse the grant by completing the relevant form.

10.15 Full details of the guidance to determine eligibility can be found HERE

11. LIVERPOOL CITY REGION FREEPORT

11.1 At the Budget on 3 March 2021, the government committed to creating 8 new freeports sites in England, where businesses would benefit from more generous tax reliefs, including business rates relief. The announcement confirmed that the following freeport sites in England were successful in their bidding process and the first freeports would begin operations from late 2021, subject to successfully completing the tax and customs designation processes and receiving approval on their business cases:

- East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside, and Thames.

11.2 Full business rates relief will be available to eligible business in these freeport tax sites in England, once designated. Relief will be available to all new businesses, and certain existing businesses where they expand, until 30 September 2026.

11.3 Relief will apply for five years from the point at which each beneficiary first receives relief. This means that if a business first received relief on 30 September 2026, the relief may be applied up to 29 September 2031.

11.4 The Eligibility Principles – full details which properties will benefit from the relief can be found in the government guidance HERE

12. SUBSIDY LIMITS

12.1 The government have confirmed in their guidance that discretionary relief to ratepayers is likely to amount to a subsidy. Any relief provided by Local Authorities will need to comply with the UK's domestic and international subsidy control obligations.

12.2 Further guidance has been provided by the government and can accessed HERE

13. APPEALS

13.1 There is no statutory right of appeal regarding Discretionary Rate Relief decisions however the council will review decisions if requested to do so by the ratepayer.

13.2 Such a request should include the reasons for requesting the review and evidence in support of that request.

13.3 Such a request must be made within one calendar month of the date the original decision was issued.

13.4 The review will be carried out by officers of the Council who did not make the original decision.

14. INTEREST OF MEMBERS AND OFFICERS

14.1 Members and officers who have an interest in any aspect of an application for relief must not participate in the decision-making process and must declare their interest.

15. POLICY REVIEW

15.1 The councils provides delegation to the Section 151 officer to update the policy for new government initiatives on the basis that any new government initiative is fully funded and is accompanied by detailed guidance to allow administration of the scheme. The policy will be updated as soon as it practical to do so.

15.2 This policy will be reviewed on an annual basis and any amendments to the policy will be agreed by the Policy & Resources Committee.

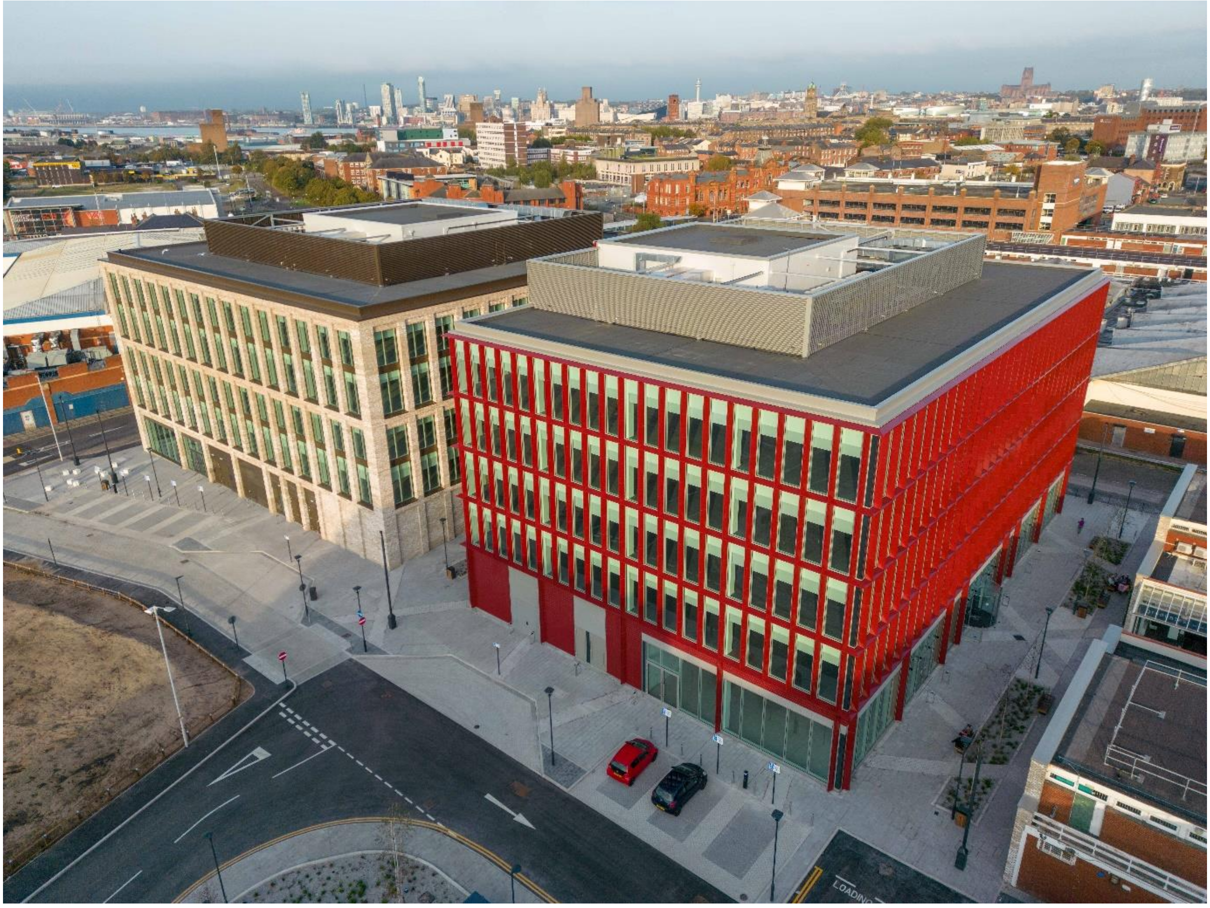
15.3 The Council reserves the right to review and revise the policy at any time in response to new Government initiatives.

Appendix 7 Medium Term Financial Strategy

Medium Term Financial Strategy

2024/25 to 2028/29

Wirral Metropolitan Borough Council



FINANCE
FEBRUARY 2024

Above picture is of the new office buildings in Birkenhead built by the Council

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Introduction

The Medium-Term Financial Strategy (MTFS) is a key document in the Council's financial planning cycle. This document sets out the strategic financial approach that the Council will adopt in supporting delivery of the Council Plan and the matrix of other strategies and plans that support delivery of the improvements that the Borough is clearly expecting. The MTFS explains how the Council will distribute its resources in this endeavour over the next five years. In order to deliver the Plan, the Council will need to operate carefully within specific quantitative financial targets. These targets manifest themselves as budget limits within which the Council must deliver its services over the period of the MTFS. On the future journey, the Council needs to refresh its approach to operate highly disciplined financial management activities. By doing so, the Council will enhance prospects of attaining the far-reaching improvements to which its residents rightly aspire.

Matthew Bennett CPFA
Director of Finance & Section 151 Officer

Council Plan

The organisational values and priorities for the Borough are set out in the Council Plan, updated and agreed by Council in December 2024. The Council's vision is:

Working Together to Promote Fairness and Opportunity for People and Communities.

To achieve our vision there will be a renewed focus on the following six themes: -

- Efficient, effective and accessible Council – this being the underpinning enabling theme for the Council.
- Early help for children and families
- Promoting independence and healthier lives
- People focussed regeneration.
- Protecting our environment
- Safe, resilient and engaged communities

In ensuring that the Council delivers against these six themes there are several priorities: -

Theme	Priority
Efficient, effective and accessible Council	• Deliver within budget, appropriate levels of reserves maintained. • Demonstrate cost effectiveness and value for money. • Council services are accessible and inclusive. • Assets and property support our vision and priorities
Working together to improve early help for children and families	• Children and young people have their needs met early. • Children and young people stay safe and are protected from harm. • Children and young people achieve their potential and are prepared for adulthood
Promote independence and healthier lives	• People live independently for longer. • People get the right care at the right time. • Quality improvements are made within the care sector. • Inequalities in health are reduced
Working together to deliver people	• More investment secured and

focused regeneration	created in Wirral. • More jobs created and more people in good quality, sustainable work. • More quality, affordable, sustainable homes • More businesses (including community social enterprise) established and survive
Working together to protect our environment	• A cleaner and sustainable borough • Net zero targets achieved. • Improved transport infrastructure
To create safe, resilient and engaged communities	• People and communities feel safer where they live, work, and socialise. • More residents lead active and healthy lives

The Council Plan 2023-27 describes in detail the activities taking place to deliver these priorities. Each service will develop a bespoke service plan which describes the achievements, priorities and activities of the services which collectively make up the Council.

It is important to note that the theme efficient, effective and accessible council cuts across all the other five themes of the new Council Plan and is key to all decision making.

Medium Term Financial Strategy - Form & Purpose

1. The purpose of the MTFS is to set down the approaches that will be used by the Council in assembling, organising and deploying its financial resources to deliver the improvements described in the Council Plan (Annex 1) and the supporting plans and strategies to deliver that overarching undertaking.

2. The MTFS contains a Medium Term Financial Plan (MTFP) which sets out the planning assumptions and financial limits formed by the relevant funding constraints. The MTFP appears at Annex 4.

3. The MTFS sets out the Guiding Principles which the Council has used and will continue to use in seeking to obtain financial balance in the medium term as well as specific programmes and other initiatives that will be developed on the journey.

4. The MTFS and accompanying MTFP provide a framework within which Council can set the annual Budget. Accordingly, these documents are an integrated and dynamic part of the Council's financial cycle.

Strategic Goals

5. The MTFS has the following strategic goals:

   a. To provide a framework within which the Council can achieve a series of balanced budgets in the medium term.

   b. To deliver financial sustainability in the short, medium and long term.

   c. To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government sector and to apply these rigorously; and

   d. To provide a structure within which the Council Plan and supporting strategies and plans can be delivered successfully.

The Guiding Principles

6. In undertaking its financial operations over the period of the MTFS the Council has adopted the following Guiding Principles ('The Principles'). The Principles are based on sound management and professional practice. They are presented as Guiding Principles because there may be occasions where - after careful consideration - the exigencies of strategic or operational management may necessitate from time to time a departure from the Principles.

No.	Guiding Principles
	Overarching principle - All investment and savings decisions will be aligned to the priorities within the Council Plan and affordability criteria.
1.	Fees & Charges will be reviewed annually and adjusted for inflation, regulatory guidance, and competitiveness. When setting charges, the impact on vulnerable groups will be considered.
2.	Capital decisions will be based upon strong business cases, taking account of invest to save principles where appropriate. Whole life capital financing costs impacting the net revenue position of the Council will be fully considered and reflected in the MTFP.
3.	Service level spend will be benchmarked with suitable peer groups and regularly reviewed to ensure the principle of an efficient Council is being achieved.
4.	The Council will maximise the opportunities from automation and a policy of 'Digital First' in service delivery.
5.	Service reviews will be undertaken Council wide within the timeframe of the MTFS. This will ensure that operating models, organisational design and costs are subject to regular reviews and adjustment.
6.	Service development, savings, and investment will be brought forward based on business cases that demonstrate alignment to the Corporate Plan, feasibility, deliverability and value for money.
7.	The Council will consult with stakeholders across the borough in forming budget proposals.
8.	The Council will review alternate delivery models and seek joint working and management initiatives with regional and other partners to align to the Council Plan.
9.	The Council will continually review its Earmarked Reserves for appropriateness and purpose. Unearmarked reserves will be brought to a level of 5% of net expenditure within the term of the MTFP.
10.	Given the challenging financial position of the Council and the need to maintain key statutory services. The Council will seek to maximise receipts from all funding streams, including Council Tax over the period of the MTFS.

The National and Local Government Financial Background.

7. International economic events are driving the national economy not least the continuing impact of the war in Ukraine, ongoing issues with international supply chains and the residual impact of the pandemic. When setting the 2023-24 budget the Country was subject to extremely high inflation of more than 10%. This severely impacted the Council's budget setting ability. Inflation has been falling over the past period. The Bank of England forecast is for inflation to be around 4% at the start of 2024 and reach the 2% target in the first half of 2025. This will ease the ability in setting the budgets for goods and services. However, there are still challenges in the labour market, especially in the care sector and specific issues around energy, whilst noting these are diminishing.

8. Local Government receives a much higher proportion of its funding from local sources than has historically been the case (Council Tax and Business Rates). Within the Local Government sector, it has been widely reported that several Councils have faced financial difficulties and subsequently issued S114 notices, effectively meaning that the Council is bankrupt. For example, because of issuing a S114 for 2023-24 Croydon Council increased its Council Tax level by 15% and Slough Council's increase was 9.99%. Local Government has been experiencing inflation, demographic and other increases for a sustained period. The result is that much of the financial pressure has been left for local councils to manage and this has resulted in a call for largescale savings across the Local Government sector. This has brought pressures on delivery of savings whilst maintaining financial sustainability.

The Financial Background: Wirral

9. Wirral Council continues to face a challenging financial position. It has been reported that since 2010/11 Local Government has lost some 40% or more of its real terms funding whilst also having to absorb growth factors, especially in social care services. However, as the Council continue to develop its MTFS and MTFP issues are being highlighted and accommodated within the planning process. Financial monitoring is highlighting pressures, savings delivery and demographic growth and these matters are being reviewed and actions considered on a systematic basis. On going behavioural changes have resulted following the pandemic such as, reduced town centre footfall affecting car parking and leisure income, waste collection and children in local authority care. These factors are forecast to level over the medium term and the new norm be allowed for. Many of the factors being faced by Wirral are common across the local government sector.

Council Tax

10. As a response to the inflationary pressures in the economy, for financial years 2023-24 and 2024-25, the Government allowed the threshold for Council Tax & Adult Social Care Precept to increase by an overall total of 5% before a referendum would be required, previously it was 2.99%. Increasing Council Tax levels by 1% generates around an additional £1.7m in revenue to the Council to provide essential services. The MTFP models the assumption that council tax will be maximised to the allowed level. This is twofold, to do otherwise would imperil the Council's ability to sustain statutory services and in addition would challenge the Council's financial sustainability over the medium term.

National Non-Domestic Rates (NNDR)

11. 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 because of being in the pilot, they would be compensated by the other LCR authorities to ensure they were no worse off than being in the national scheme. To date, all authorities have been in a betterment position each year, with Wirral being approximately £7m better off per year because of being in the pilot.

    The national business rates retention system includes a Safety Net and Levy mechanism to encourage growth and enterprise by Councils. Also, to protect authorities from seeing a sudden decline or increase in their non-domestic rating income.

    A Safety Net threshold is calculated by the Government for each local authority and if income from the Business Rates Retention System (including any Top-Up or Tariff and Section 31 grants) drops below this threshold then a Safety Net payment will be made by the Government to bring the income up to the threshold level. Under the 50% Rates Retention Scheme this threshold is set at 92.5% of baseline funding (i.e., retained business rates, as estimated by the Government, plus or minus any Top-Up or Tariff).

    Wirral has not previously fallen below the Safety Net threshold and based on the national 50% Rates Retention Scheme would have needed to reduce Business Rates Retention income by £12.8m (14%) in 2023/24 to do so.

    The provisional Local Government Funding Settlement confirmed continuation of the pilot into 2024-25.

The Capital Programme

12. The budget process has a review process for existing and new capital schemes. Existing schemes are reviewed with the intention of refinement and ensuring that they are meeting organisational objectives. New schemes are considered on an invest to save basis, meeting strategic goals and a full whole life costing financial appraisal. This ensures affordability, revenue consequences are fully considered, and that external borrowing is minimised. Incremental revenue costs, for example legal or other support costs, which result from schemes that are financed by external grant are accounted for within those grant resources, where appropriate.

13. External borrowing will be considered where proposals return a measurable revenue saving, i.e., invest to save. During the period of the MTFS, capital receipts, when generated – will be used to repay the loans taken following the two capitalisation directives. This reflects the expectations of external stakeholders and financial prudence because it will reduce pressure on the revenue resources of the Council. In addition, capital receipts could be considered to fund service reviews and other factors, when allowed by regulation, to release revenue resources.

The Finance Settlement 2024/25

A The Provisional Local Government Finance Settlement has been issued in December 2023 and will become final in February 2024.

B The MTFP has been modelled assuming the full 5% Council Tax increase the Government spending power calculations assume the full increase will be taken.

C The policy statement included

Headlines that an additional £3.9 billion of funding would be “made available” to councils, representing a 6.5% cash terms increase, with a minimum increase being guaranteed at 3% before local Council Tax decisions and additionally a 2% adult social care precept can be levied.

Clarification on the funding from a range of avenues including:

- Improved better care fund.
- Social care grants
- New homes bonus
- Services grant
- Public health grant
- Business rates retention.

The full overall implication of the announcement was that there is a £3.7m adverse position on the November committee reported MTFP modelled scenarios for 24-25.

However, since the draft financial settlement was announced in December 2023, the Government announced additional measures for local authorities, worth £600million. This includes £500million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant The exact details of this announcement have yet to be released but it is expected to increase Wirral Council's funding by approximately £3.7m.

Strategy for setting a balanced budget.

Despite the pressures being faced and the financial issues the Council has had to contend with over the last years, it is determined to deliver on the agreed priorities for the borough set out in the refreshed Council Plan.

The budget provides the opportunity to review where resources should be invested to align with resident priorities. This includes working with partners and maintain investment in preventative services that reduce the requirement for more costly support in the future.

A difficult balance has to be maintained between the provision of high quality general services for all residents alongside investing in regeneration to generate growth and protecting the most vulnerable.

To support the budget strategy a prudent approach is to be adopted to the use of reserves, disposal of assets and borrowing to fund the capital programme.

Reserves

14. In previous years, the Council has used significant contributions from Reserves to support service delivery. As a result, the level of Reserves has significantly reduced. At the closure of the 2022/23 Financial Year the Council's *Earmarked* Reserves were £71.831m and are forecast to decrease to £52.8m by the end of 2023-24. Of this figure it is estimated that a sum in the region of just £10m could be allocated to deal with an acute financial demand. For this reason, the Council will seek to ensure the adequacy and appropriateness of its Earmarked Reserves over the period of this MTFS, taking account of relevant factors including financial sustainability principles. A table showing the overall position for Reserves appears at Annex 3 to this document.

15. The Council's *Unearmarked* Reserves (sometimes referred to as 'General Balances') are forecast to be circa £13.1m at 31 March 2024, this does not presently reflect the sector standard of 5% of Net Expenditure. The 2023-24 net expenditure of the Council is £368.6m hence the present 5% target is £18.4m. The target will change as the net revenue of the Council increases over the period. It is anticipated the 5% level will be reached over the term of this MTFP.

The budget report to Policy and Resources committee on 21 November 2023 sets out a series of principles adopted to finalise the revenue budget:

- Limited use of reserves, £2m, to fund the specific pressure in relation to the new Birkenhead Commercial District offices. The use of reserves should be a last resort, the planned use recognises that this should be a one off cost and would otherwise negatively impact core service provision.
- Recommendation to increase both the base Council Tax and social care precept to the maximum available so this is reflected in the base funding position. This is alongside continued support to the VCSE, vulnerable residents and care market sustainability measures.
- Adult Social Care – the costs of demography, care sector inflation and real living wage costs are met from the additional ringfenced funding.
- Any additional grants for new requirements are passported through to meet them.
- Reductions in energy costs are used to remove the previous reliance on reserves to balance the budget.
- Savings from the change programme are used to offset the existing service pressures.

The final settlement and the proposed savings programme has provided potential for some limited additional investment including: -

- Additional funding for cyber security to mitigate the increasing risks in this area and protect vital Council services.
- Additional funding for basic services to enable some investment in areas that are aligned to resident priorities around service standards and visible environmental improvements. This is consistent with the priorities identified within the Council Plan.

Horizon Scanning

16 The period to the end of 2024-25 will cover a general election which is likely to bring new policy considerations for the public sector in general including local government. In recent years, the sector has considered issues around adult social care and there has also been the levelling up agenda. It is yet to be seen whether these policies will continue in this form or a differing guise when a new government of any persuasion or coalition is elected. Local government finance reform has been muted on several occasions and it is yet to be seen what each political party's proposals are on this. This makes it more important than ever for the Council to stabilise the corporate financial position, to evolve suitable responses to these challenges whilst continuing to deliver the priorities set down in the Council Plan.

The Medium Term Financial Plan

17 The Council's MTFP 2024/25 to 2028/29 is shown in Table 1 below. The MTFS is the product of (a) detailed technical analysis (b) detailed discussion with the Directorates and their respective management teams regarding the pressures identified and (c) further engagement to assist the Directorates to identify savings to bridge the budget shortfall identified.

Table 1: Medium term Financial Plan 2024/25 to 2028/29

	Financial Year				
	24-25 £m	**25-26 £m**	**26-27 £m**	**27-28 £m**	**28-29 £m**
Budget Requirement	**368.600**	**399.603**	**414.191**	**430.820**	**436.929**
Pressures	43.393	27.581	33.467	23.015	23.555
Savings	-12.390	-9.854	-8.287	-6.007	-6.118
Revised Budget Requirement	**399.603**	**417.330**	**439.371**	**447.828**	**454.366**
Funding	-390.988	-408.748	-425.180	-431.086	-444.275
Potential Council Tax Increases	-8.615	-5.443	-5.639	-5.843	-6.053
Total Funding	**-399.603**	**-414.191**	**-430.820**	**-436.929**	**-450.328**
Annual Shortfall (+) / Surplus (-)	**0.000**	**3.139**	**8.551**	**10.899**	**4.038**
Cumulative Shortfall (+) / Surplus (-)	0.000	3.139	11.690	22.589	26.627

18 In preparing to balance the 2024/25 Budget the Council produced an initial forecast shortfall of some £15m. The budget process incorporated engaging with Directorates in identifying financial pressures. The outcome was that there were some £38m of pressures identified. This is significantly less than the previous year when it was £67.05m, this being driven largely by high inflation at that time. This initial gap could fluctuate as the figures become further refined. However, over the previous period officers have undertaken an exercise to identify transformational savings to balance the budget gap in 24-25 and to provide a strategic savings framework over the medium term. This is indicating savings of c£3m in 2025-26 and c£12m in 2026-27. This is facilitating long term planning and ensuring Wirral becomes financially sustainable.

19 The Budget report in February 2024 will set out proposals for full Council to balance the Budget in 2024/25 and those proposals form the basis of the figures for 2024/25 in Table 1.

20 The MTFP will continue to be updated on a rolling basis from this point forward and will be reported regularly to Policy and Resources Committee (P&R) as part of the normal governance cycle. This will enable the P&R Committee to receive regular briefing on observed changes to the forecast shortfalls or surpluses that are from time to time observed.

Risk

21 The Council has well-structured arrangements to manage risk regarding strategic and operational dimensions. The principal risks associated with delivery of the Council's services within the financial constraints identified in the MTFS and associated MTFP are set out in Annex 6.

Summary

22 This document has set out the MTFS and the embedded MTFP and the acceptance and application of these documents can be summarised as follows:

a. The Council has adopted a set of Guiding Principles which will assist in shaping responses to future budget shortfalls.

b. The Council is aware of the financial pressures that bear on the 2024/25 Budget and beyond and has understood the issues that this presents.

c. The Council is continuing to implement a set of revised financial monitoring arrangements on the back of the implementation of Enterprise Resource Planning (ERP) system.

d. The Council has taken effective action to identify a portfolio of savings to balance the 2024/25 Budget and has prepared a Draft Budget on this agenda which allows for the continuation of statutory services across the Borough.

e. The Council has taken steps to review the capital programme to contribute to the balancing of the Budget in 2024/25.

f. It will be key across the years of the MTFS for the Council to maximise funding streams including Council Tax and this should continue – as in previous years – to inform planning assumptions in the MTFS and MTFP.

Council Plan & Priorities

- To deliver high quality efficient universal services to all residents
- To prioritise those with the greatest needs
- To deliver council services within the means of the council budget
- To be prepared to innovate and face the future
- To play our part in addressing the climate emergency and protecting our environment
- To work across communities with community, voluntary and faith organisations and partners to improve all residents' life chances
- To deliver our ambitious regeneration programme through increased investment, jobs and new businesses throughout the borough

Our Vision

***Working together** to promote fairness and opportunity for people and communities.*

Delivery Themes

Efficient, effective and accessible Council

Outcomes

- Council finances stabilised.
- Services are cost-effective and deliver value for money.
- Council services are efficient, accessible and inclusive.
- Assets and property support our vision and priorities.

What we will do

- Council delivers within budget.
- Reserves replenished.
- Council secures and enhances its revenue where possible.
- All back-office services reviewed and centralised.
- Council transformation programme delivered.
- Identify and appoint a digital transformation partner.
- Universal services will be delivered to the best possible standard.
- Implement People Strategy
- Implement Customer Experience Strategy
- Review of customer access channels
- Corporate landlord model implemented.
- Review and enhance Corporate Equality & Inclusion including the Armed Forces Covenant
- Implement Assets Strategy including programme of disposals for surplus

buildings.

How it will be measured

- Annual Budget and performance
- Reserves at 5% of Council budget by 2027.
- Savings delivery targets achieved.
- Services bench marked with comparator authorities and/or externally recognised for good practice.
- Improved street and environment cleanliness
- Improved waste and recycling performance
- Equality Impact Assessments
- Call centre response times
- Qualitative feedback for face-to-face services
- Reduction in the Council's office estate
- Capital receipts delivered to schedule.
- Overall service efficiencies delivered.
- Improved customer service performance

Early help for children and families

Outcomes

- Children and young people have their needs met early.
- Children and young people stay safe and are protected from harm.
- Children and young people achieve their potential and are prepared for adulthood.

What we will do

- Continue to deliver Family Toolbox offer, Family Hubs, building community and neighbourhood capacity.
- Deliver the Breaking the Cycle programme.
- Deliver Transforming Care Programme
- Continue to develop multi-agency child protection teams.
- Delivering the Youth Justice Annual Plan
- Delivering the Safer Adolescence Strategy
- Develop and deliver the children, young people and family strand of Wirral Drugs Strategy & Remodel the Domestic Abuse Service
- Remodel Special Educational Needs & Disability (SEND) Services and launch a new SEND Strategy
- Deliver the #EveryDayCounts campaign & review Wirral Attendance Service
- Embed the Graduated Response. This helps to support children and young people to meet their learning needs.

How it will be measured

- Reduced need for social care interventions.

- A wider cost-effective range of care provisions
- Multiagency team delivering effectively.
- Delivering well against new youth justice KPIs
- Better identification of risk and risk management criminal exploitation
- Reduced repeat domestic abuse referrals.
- Better value delivered in SEND Programme
- Improved educational attainment.

Promoting independence and healthier lives

Outcomes

- People live independently for longer.
- People get the right care at the right time.
- Quality improvements are made within the care sector.
- Inequalities in health are reduced.

What we will do

- Increase housing options for older people.
- Provide services as close to home as possible.
- All Age Disability Review – new models/ ways of working to be explored.
- Provide health and social care services where people need them.
- Implementation of the on-line assessment tool to support quality improvement of providers and services that require CQC inspection.
- Deliver our Health and Wellbeing Strategy
- Deliver Wirral's Combatting Drugs Strategy, Substance Misuse Treatment and Recovery Programme
- Develop a Local Tobacco Control Plan and Local Gambling Harm Strategy

How it will be measured

- Number of Extra care housing units delivered.
- Increased use of technology in the home
- Reduced cost of care
- Quality and range of care
- CQC Inspection
- Measurable improvements in health across our population and reduced health inequalities
- Decrease in the number of drug-related deaths.
- Reduction in the number of people smoking.
- Number of adults and young people accessing substance misuse treatment services

People focused regeneration.

Outcomes

- More investment secured and created to deliver regeneration in Wirral.
- More jobs created and more people in good quality, sustainable work.
- More quality, environmentally sustainable and affordable homes
- More businesses (including community/ social enterprise) established and survive.

What we will do

- Attract new investment (grants and private sector) to support regeneration.
- Drive Brownfield Local Plan including neighbourhood masterplans.
- Progress neighbourhood master plans
- Deliver local employment and skills activity.
- Coordinate worklessness initiatives in our most deprived areas.
- Deliver new, attractive environmentally sustainable housing (including affordable)
- Tackle Homelessness
- Support local businesses.
- Enable local community wealth building and asset transfers.

How it will be measured

- Value of new investments
- Grant funding secured.
- Private sector investment secured.
- Brownfield land remediated.
- Number of jobs created and safeguarded.
- More people in well paid jobs
- Apprenticeships
- Increase in housing units and affordable homes.
- Reduction in those living in temporary accommodation.
- Business count (including social enterprise) increase.
- Social Value secured.

Protect our environment.

Outcomes

- An environmentally friendly and sustainable borough
- Net zero targets achieved.
- Improved transport infrastructure

What we will do

- Review the Council's Tree, Hedgerow & Woodland Strategy
- Implement Pollinators Policy
- Sustainable maintenance of parks, open spaces, beaches and coastline
- Improve waste and recycling performance and street cleanliness.
- Support activities on waste prevention, re-use, recycling and composting
- Implement the Biodiversity & Net Gain Strategy
- Deliver the Cool2 Climate Change Strategy
- Manage the Council's carbon budget to measure carbon emission reduction.
- Improve Wirral's air quality and implement Air Quality Strategy
- Reduce emissions from our homes and buildings e.g., by retrofitting and

reducing energy usage.

- Introduce clear highways and infrastructure and network management strategy and policy including parking and Active Travel
- Review current street light Electric Vehicle Charging Provision (EVCP) strategy.
- Implement Road Safety Plan

How it will be measured

- Increase in the number of trees planted and established each year.
- Improvement in local recycling and waste reduction
- Baselining biodiversity and habitats
- The Council will achieve 'silver' carbon literate organisation status.
- Continue working towards net zero target by 2030.
- Increase in Active Travel (cycling and walking) networks (subject to rigorous equality impact assessments) and increased EVCP provision.
- Reduction in Killed and Seriously Injured (KSI) data and road traffic collisions.
- Transport and pavement network condition
- Improved road safety

Safe, resilient and engaged communities

Outcomes

- People and communities feel safer where they live, work, and socialise.
- More residents lead active and healthy lives.

What we will do

- Deliver our Community Safety Strategy
- Install new CCTV cameras in consultation with Merseyside Police
- Install new alley gates.
- Secure agreed Streetscene improvements
- Installation of more emergency Help Points
- Work with partners including Merseyside Police to improve community safety.
- Review Sport & Physical Activity Services and transformation programme
- Develop opportunities for Community / Commercial Transfer of any assets.
- Review playing pitch offer and implement Playing Pitch Strategy
- Develop and launch Sport England funded Performance monitor for Wirral.
- Expand Community Partner Library offer.
- Development of Moreton Library and combined Youth Hub alongside Moreton regeneration work
- Increase digitisation and accessibility to the written word e.g., Wirral Archives, libraries.

How it will be measured

- Number of new alley gates installed.
- Improved street care and cleanliness
- Incidents in anti-social behaviour
- Perception of anti-social behaviour

- Improved coverage and monitoring of CCTV.
- Meet Playing Pitch Strategy targets.
- Increase in the number of Community Partner Libraries
- Increased digitisation of services
- Increase in whole population physical activity levels.

LOCAL GOVERNMENT FINANCE SETTLEMENT 2024-25 (Provisional)

Core Spending Power

Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities (assuming the maximum permitted Council Tax increase is implemented) through the Local Government Finance Settlement.

The headline announcement was that an additional £3.9 billion of funding would be "made available" to councils, representing a 6.5% cash terms increase, with a minimum increase being guaranteed at 3% before local Council Tax decisions.

The main sources of the funding are summarised in the following table:

ENGLAND	23/24	24/25	Change	Change
	£M	£M	£M	%age
Settlement Funding Assessment	*15,671.1*	**16,562.70**	**891.60**	**5.69%**
Compensation for the business rates multiplier	*2,204.6*	**2581.3**	376.70	17.09%
Council Tax Requirement	*33,984.3*	**36062.2**	2,077.90	6.11%
Improved Better Care Fund	*2,139.8*	**2139.8**	0	0.00%
New Homes Bonus	*291.3*	**291.4**	0.10	0.03%
Rural Services Delivery Grant	*95.0*	**95**	0	0.00%
Social Care Grant	*3,852.0*	**4544**	692.00	17.96%
Services Grant	*483.3*	**76.9**	- 406.40	- 84.09%
Market sustainability and FCC (and improvement)	*562.0*	**1050**	488.00	86.83%
ASC Discharge Funding	*300.0*	**500**	200.00	66.67%
Rolled in grants	*480.0*	**0**	- 480.00	-100%
Minimum Funding Guarantee	*133.3*	**196.50**	63.20	0.47
Core Spending Power	***60,196.7***	**64,099.80**	**3,903.10**	**6.48%**

3.2 **Council Tax**

The Council Tax proposals for 2024/25 were set out in the final 2023/24 Local Government Finance Settlement and have now been reaffirmed. The proposal for core Council Tax in 2024/25 is a referendum cap of up to 3%, the same as in 2023/24.

As in 2023/24, there is also the flexibility to add up to a further 2% adult social care precept for authorities providing adult social care services.

The Settlement states that where councils need additional support from government as part of the Exceptional Financial Support framework, they will consider representations from councils on council tax provision.

3.3 **Improved Better Care Fund**

Improved Better Care Fund (BCF) is unchanged in cash terms for all upper tier councils, with funding remaining at £2,139.8m and distribution methodology also unchanged. An addendum to the 2023-25 BCF Policy Framework will be published in the new year.

3.4 **Social Care Grants**

Social Care Grants will increase by £1,380m in 2024/25, with the additional amounts allocated as follows:

- £692m of additional grant funding through the Social Care Grant.
- £488m additional funding via the Market Sustainability and Improvement Fund, including £205m rolled in through the MSIF Workforce Fund (see paragraph 3.5).
- £200m for ringfenced Adult Social Care Discharge funding (see paragraph 3.6).

Government has subsequently announced, in January, additional measures for local authorities, worth £600million. This includes £500 million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant.

Allocations are related to the Adult Social Care needs formula with recognition of Social Care Council Tax precept and to previous market sustainability funding allocations. More detail will follow in due course on additional reporting requirements placed on the MSIF Workforce Fund, and use of the funding to support improvement against the objectives.

3.5 **Market Sustainability and Improvement Fund**

This grant will continue in 2024/25 and will increase from £562m to £845m. In addition to this, the two-year Work Force Fund announced during 2023/24, for which £205m had been allocated for 2024/25, will be rolled into this grant increasing the fund to £1,050m in total.

3.6 **ASC Discharge Fund**

The Adult Social Care Fund will continue in 2024/25 and will increase from £300m to £500m for 2024/25. It is intended to form part of Better Care Fund plans and is aimed at reducing delayed transfers of care.

The NHS is receiving the same amount to also put into Better Care Fund plans, for a total of £1 billion across both sectors. The £500 million grant is being allocated based on improved Better Care Fund shares (meaning all allocations are approx. 23% of iBCF allocations).

3.7 **New Homes Bonus**

The government has delayed a decision on the future of New Homes Bonus, and therefore maintained the current approach, with in-year 2024/25 payments only. There will be no legacy (i.e., second) payment of New Homes Bonus, and government will continue to review the future of New Homes Bonus.

The national amount remains at £291m for 2024/25, virtually unchanged from 2023/24 although as no adjustments have been made to the allocation methodology this is thought to be purely coincidental.

3.8 **Services Grant**

The overall value of this grant has again reduced significantly in 2024/25, from £483m to £77m, an 84% reduction. The value of this grant nationally is determined based on remaining resources after decisions on all other grants with the reduced amount instead being used to fund the Minimum Funding Guarantee (paragraph 3.10) and other grant increases, with an undisclosed amount being held back as a contingency. Allocation of this grant will be in line with previous years.

3.9 **Public Health Grant**

Public Health grant has increased from £3,530m to £3,575m, although allocations are indicative at this stage and will be confirmed in the new year.

3.10 **Minimum Funding Guarantee**

A new funding stream introduced in 2023/24 will continue to be distributed in 2024/25 and is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% before Council Tax decisions. The total funding for this grant is £196.5m.

3.11 **Funding Reform**

No further announcements have been made regarding Local Government funding reform.

3.12 **Business Rates 100% Retention**

It was confirmed that authorities in certain areas, including Liverpool City Region, would continue to retain an increased proportion of business rates in 2024-25. These arrangements are separate to those which have been in place since 2013-14, whereby the rest of local government retains 50% of its business rates.

4.0 WIRRAL COUNCIL IMPACT

4.1 **Council Tax**

Based on the 2023/24 LGFS announcements, previous assumptions have been that a 2.99% Core increase and a 2% Social Care Precept would be applied. The confirmation of the 3% core referendum principal means the estimated Council Tax position is confirmed with a total core Council Tax increase from 2023/24 of £5.162m.

Similarly, an additional 2% Council Tax precept for Adult Social Care would generate an additional £3.453m. Both these figures are subject to confirmation of the Council Tax Base figure for 2024/25, which is due to be reported to Policy and Resources in January 2024 and results in an additional £0.735m in 2024/25, which is £0.149m more than previously anticipated.

One percent of Council Tax is equivalent to approximately £1.7m, and should these increases not be fully implemented, alternative savings will need to be found.

4.2 **Social Care Grant**
Provisional allocations of the ringfenced Social Care Grant indicated that Wirral would receive £38.149m in 2024/25, which is an increase of £6m, but £1.851m less than 2024/25 assumptions previously reported. However, as highlighted in paragraph 3.4 above, the Government has subsequently announced, in January, additional social care grant funding for local authorities. The exact details will be confirmed when the finance settlement is finalised in early February. Assuming the distribution methodology of the grant remains the same as previous, it is expected to increase Wirral Council's Social Care Grant funding by approximately £3.7m

4.3 **Market Sustainability and Improvement Fund**
Provisional allocations allocate £7.877m of this fund to Wirral for 2024/25 (including £1.538m for the Workforce Fund) which is £0.707m more than previously estimated.

4.4 **ASC Discharge Grant**
Wirral has been allocated £4.495m for 2024/25, which is £1.8m more than 2023/24 and in line with previous estimates. This is met by corresponding cost pressures and therefore does not impact the budget position.

4.5 **New Homes Bonus**
It had previously been unsure if New Homes Bonus would continue after 2023/24, or if it would be distributed with the same methodology, and previous MTFP forecasts assumed this grant would end.

However, confirmation that the current New Homes Bonus approach would continue, and provisional allocations indicate Wirral will receive £0.08m in 2024/25.

4.6 **Services Grant**
Previous forecasts had assumed this grant would be unchanged from 2023/24. However, as the national fund has been reduced to fund other grant increases and the Minimum Funding Guarantee, Wirral has only been allocated £0.518m for 2024/24, a reduction of £2.777m from 2023/24 and previous forecasts.

4.7 **Minimum Funding Guarantee**
As in 2023/24, and as previously forecast, Wirral has not been allocated any of this fund.

4.8 **Business Rates 100% Retention**
The settlement confirmed that the increased Business Rates Retention arrangements would continue in 2024/25. This means that the 100% retention pilot that Wirral participates in alongside Liverpool City Region authorities will continue and will therefore continue to benefit from the resulting increased level of Business Rates receipts for another year. This was already budgeted for in the MTFP but is positive news as Wirral benefits by approximately £6-7m per year because of participating in the pilot.

Government will continue to review the role of such arrangements as a source of income for areas and its impact on local economic growth, and as part of deeper devolution commitments as set out in the Levelling Up White

Paper.

4.9 **Business Rates Top-up**
The latest assumptions were that the Business Rates Top-up would increase by 6.3% in line with September 2023 CPI to £61.758m. Settlement confirms Wirral's 2024/25 allocation as £60.611m which is only a 3.4% increase from 2023/24. This is a reduction of £1.148m from previous assumptions.

This is assumed to be due to the government for the first time increasing the standard business rates multiplier whilst freezing the multiplier for small businesses, which affects the baseline funding levels in the top-up grant calculation. The government has committed to compensate local authorities for the reduction in income resulting from the decision to freeze the small business rates multiplier, so it is assumed that this will be recovered via Section 31 grants through the NNDR1 process although the value of those grants will not be known until the second half of January when the NNDR1 return can be completed.

4.10 **MTFP Assumptions Comparison**
In total, the provisional impact of the Local Government Finance Settlement on Wirral's MTFP was a deterioration of £4.99m. This assumes the permitted Council Tax increases are implemented in full. Assuming the top-up grant decrease is compensated via S31 grants, this leaves a reduction of £3.84m.

The higher than anticipated Council Tax base (paragraph 4.1) gave an overall funding deficit against the previously reported position of £3.69m. However, with the additional social care grant funding announcement, estimated in paragraph 4.2, the latest position is now marginally better by £0.060m than previously reported, as summarised in the following table:

		2024-25		
	2023-24 Budget £m	Funding per Nov-23 P&R £m	Provisional Settlement £m	MTFP Impact £m
Social Care Grant	-32.140	-40.000	-41.900	-1.900
Market Sustainability	-4.220	-7.170	-7.880	-0.710
New Homes Bonus	-0.440	0.000	-0.080	-0.080
Services Grant	-3.300	-3.300	-0.520	2.780
Business Rates Top-Up	-59.240	-61.760	-60.610	1.150
Business Rates S31 grant (assumed)				*-1.150*
Funding impact of LGFS measures (prov)				**0.090**
Council Tax base increase	-171.910	-181.110	-181.260	-0.150
Total provisional 2024/25 MTFS impact				**-0.060**

ANNEX 3 Earmarked Reserves and Balances

Earmarked Reserves

Opening Balance 1 April 23	**71,831**
Forecast Use of Reserve	-27,127
Forecast Contribution to Reserve	8,125
Forecast Closing Balance 31 Mar 24	**52,829**
Forecast Opening Balance 1 April 24	**52,829**
Forecast Use of Reserve	
<u>Movements to support the 2024-25 budget</u>	
Children, Families & Education	-1,508
Regeneration & Place	-1,834
Wirral Growth Company Profit	-2,000
EVR/VS Termination Payments	-2,000
Other	-45
Sub Total	**-7,387**
Forecast Contribution to Reserve	250
Forecast Closing Balance 31 Mar 25	**45,692**
<u>Deduct Ringfenced Reserves</u>	
Schools Balances	-13,517
Insurance Fund	-8,002
Wirral Growth Company	-7,579
Public Health Ringfenced Grant	-6,912
Selective Licensing	-1,370
Schools Capital	-686
Enterprise Zone Investment	-639
Resettlement Programme Grant	-513
Building Control Fee Earning	-220
Intensive Family Intervention Project	-205
Freeport Investment Zone	-203
HMO Licence Fees	-119
Other	-352
Sub Total	**-40,317**
Remaining Balance	**5,375**

General Fund Balances

Opening Balance 1 April 23	**13,180**
Forecast Use of Reserve	0
Forecast Contribution to Reserve	0
Forecast Closing Balance 31 Mar 24	**13,180**
Forecast Opening Balance 1 April 24	**13,180**
Forecast Use of Reserve	0

Forecast Contribution to Reserve	0
Forecast Closing Balance 31 Mar 25	**13,180**

Annex 4

Medium term Financial Plan 2023/24 to 2027/28

	Financial Year				
	24-25 £m	**25-26 £m**	**26-27 £m**	**27-28 £m**	**28-29 £m**
BUDGET REQUIREMENT	**368.600**	**399.603**	**414.191**	**430.820**	**436.929**
Pressures					
Adult Care & Health	16.333	16.000	20.200	13.870	14.550
Children, Families & Education	6.713	2.430	1.830	1.760	1.870
Finance	0.000	0.000	0.000	0.000	0.000
Law & Corporate Services	0.300	0.000	0.000	0.000	0.000
Neighbourhood Services	5.104	0.530	0.655	2.681	0.708
Regeneration & Place	1.692	0.000	0.000	0.000	0.000
Resources	0.000	0.000	0.000	0.000	0.000
Levies	1.070	1.091	1.112	1.134	1.157
Strategic Holding Account & Corporate Items	12.181	7.530	9.670	3.570	5.270
Total Pressures	**43.393**	**27.581**	**33.467**	**23.015**	**23.555**
Savings					
Adult Care & Health	-4.800	-5.040	-5.292	-5.557	-5.668
Children, Families & Education	-2.980	-0.714	-0.425	0.000	0.000
Finance	0.000	0.000	0.000	0.000	0.000
Law & Corporate Services	0.000	0.000	0.000	0.000	0.000
Neighbourhood Services	-1.300	-1.250	-2.000	0.000	0.000
Regeneration & Place	-0.050	-0.250	-0.120	0.000	0.000
Resources	0.000	0.000	0.000	0.000	0.000
Levies	0.000	0.000	0.000	0.000	0.000
Strategic Holding Account & Corporate Items	-3.260	-2.600	-0.450	-0.450	-0.450
Total Savings	**-12.390**	**-9.854**	**-8.287**	**-6.006**	**-6.118**
REVISED BUDGET REQUIREMENT	**399.603**	**417.330**	**439.371**	**447.828**	**454.366**
Funding	-390.988	-408.748	-425.180	-431.086	-444.275
Potential Council Tax Increases	-8.615	-5.443	-5.639	-5.843	-6.053
TOTAL FUNDING	**-399.603**	**-414.191**	**-430.820**	**-436.929**	**-450.328**
Annual Shortfall (+) / Surplus (-)	**0.000**	**3.139**	**8.552**	**10.899**	**4.038**
Cumulative Shortfall (+) / Surplus (-)	0.000	3.139	11.691	22.590	26.627

Annex 5

Council Net Budget 2023-24

Directorate	Budget £000
Adult Social Care & Health	131,257
Children, Families & Education	88,344
Law & Corporate Services	7,827
Finance	7,861
Neighbourhoods Services	39,950
Regeneration & Place	14,779
Resources	17,733
Corporate items	60,849
Total Net Budget	**368,600**

Annex 6 – Draft Budget 2024/25

	Adult Care & Health £m	Children, Families & Education £m	Finance £m	Law & Corporate Services £m	Neighbourhood Services £m	Regeneration & Place £m	Resources £m	Levies £m	Strategic Holding Account & Corporate Items £m	**TOTAL £m**
2023/24 Budget	**131.257**	**88.344**	**7.861**	**7.827**	**39.950**	**14.779**	**17.733**	**40.939**	**19.910**	**368.600**
Pressures										
Inflation	11.53	3.85	0.00	0.10	0.83	0.00	0.00	1.07	0.50	**17.88**
Demographics	3.00	0.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**3.66**
Service Pressures	0.00	2.20	0.00	0.00	4.22	0.50	0.00	0.00	0.00	**6.92**
Corporate Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.68	**7.68**
Policy Changes	1.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**1.80**
Removal of 23-24 one offs	0.00	0.00	0.00	0.20	0.06	1.19	0.00	0.00	4.00	**5.45**
Total Pressures	**16.33**	**6.71**	**0.00**	**0.30**	**5.10**	**1.69**	**0.00**	**1.07**	**12.18**	**43.39**
Savings										
Increasing Business Efficiencies	0.00	-1.25	0.00	0.00	0.00	-0.05	0.00	0.00	-2.51	**-3.81**
Increasing Income	0.00	0.00	0.00	0.00	-0.74	-0.01	0.00	0.00	0.00	**-0.75**
Changing how we fund or provide services	-4.80	-1.73	0.00	0.00	-1.30	0.00	0.00	0.00	0.00	**-7.83**
Reducing or stopping services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Total Savings	**-4.80**	**-2.98**	**0.00**	**0.00**	**-2.04**	**-0.06**	**0.00**	**0.00**	**-2.51**	**-12.39**
Amendments due to Directorate changes			8.909	8.909			-17.818			0.000
2024/25 Budget	**142.790**	**92.077**	**16.770**	**17.032**	**43.014**	**16.415**	**-0.085**	**42.009**	**29.581**	**399.603**

Principal Financial Risks to Delivery of the MTFS (and embedded MTFP)

Risk	Mitigation
Failure to constrain expenditure within relevant budget targets.	The Council has launched revised financial monitoring arrangements following the implementation of an ERP system using Oracle Fusion Cloud solutions.
Balancing future Budget shortfalls over the medium term.	The Council will be updating the MTFP on a rolling basis and is preparing savings for 2024/25.and beyond commencing a programme of work.
Inadequate levels of financial reserves.	The Council is planning to re-build Earmarked Reserves over the course of the MTFS and to set Unearmarked Reserves at 5% of Net Expenditure by 2026/27.
Failure to review debt structure to maximise the potential financial opportunities.	The Council is planning to undertake these operations during the remainder of 23-24.
Delivery of savings.	The Council has a strong track record of monitoring & delivering savings in 2023/24 and will combine review of attainment in the revised financial reporting arrangements associated using the new ERP system.
Continued inflationary pressures.	Inflation and other pressures were known or otherwise forecast have been included in the Draft Budget proposals.
Challenges to Fund the Capital Programme resulting from continued increases in interest rates and higher cost of borrowing.	The Council operates a Treasury Management function guided by a Treasury Management Strategy which seeks to manage risks in a balanced way.

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APPENDIX 8 - Changes since 21 November 23 P&R report

	24-25 Position at P&R 21 Nov 23 (£m)	24-25 Revised Position (£m)	Variance (£m)
Pressures:			
Inflation:			
Adult Social Care: Cost of care	10.45	11.20	0.75
Looked After Children (LAC) placement & allowances price uplifts	1.89	2.64	0.75
Waste Levy	1.310	0.380	-0.930
Service Pressures:	0.000	1.564	1.564
Corporate:			
Public Health	0.500	0.000	-0.500
Business rates costs on Council Properties	0.500	0.300	-0.200
Discretionary Council Tax discounts	0.000	0.210	0.210
Increase Bad Debt Provision	0.000	0.500	0.500
Energy	-3.500	-4.500	-1.000
Contingency (Social Care)	0.000	0.601	0.601
General Fund Balances contribution	2.000	0.000	-2.000
Standing down of Wallasey Town Hall	0.400	0.246	-0.154
Total Pressures:			**-0.409**
Savings:			
Corporate			
Council Tax Income	-8.578	-8.615	-0.037
Total Savings:			**-0.037**
Funding:			
Business Rates	-72.066	-69.031	3.035
Section 31 Grant	-29.400	-33.061	-3.661
Collection Fund (surplus) / deficit	0.600	1.226	0.626
Social Care Grant	-40.000	-41.900	-1.900
Market Sustainability & Improvement Fund	-7.170	-7.877	-0.707
ASC Discharge Fund	-4.500	-4.496	0.004
New Homes Bonus	0.000	-0.079	-0.079
Services Grant	-3.295	-0.520	2.775
SubTotal: Grant Funding:			**0.093**
Council Tax - adjustment to base	-172.530	-172.643	-0.113
Total Funding:			**-0.020**
Net Total Change			**-0.465**

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Appendix 9 – Council Tax Base Calculation Process and Associated Background information

The Tax Base calculation process is as follows; -

- Calculate the number of properties on 30 November 2023 and adjust for changes due to demolitions and new builds up to 31 March 2025 which are then converted to a full year Band D equivalent. The council also adjust for discounts, exemptions and disabled relief and add any changes expected over the year reflecting the Local Council Tax Reduction Scheme and changes to empty property discounts and premiums.

- Convert the number of “discounted” dwellings in each Council Tax Band to Band D equivalent.

- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year. The amended calculation is as below and will be utilised in calculating the Council Tax charge for 2024/25.

3.5 Forecast properties per Council Tax band within Wirral based on information as of 30 November 2023: -

Table 1: Wirral Council Tax Bandings Forecast

Band	Value (£)	Properties 2023	Change	Properties 2024	Band %	Ratio
A	<40,000	61,298	(13)	61,285	40.13	6/9
B	40,001-52,000	32,964	528	33,492	21.93	7/9
C	52,001-68,000	27,760	32	27,792	18.20	8/9
D	68,001-88,000	13,581	125	13,706	8.97	9/9
E	88,001-120,000	8,426	137	8,563	5.61	11/9
F	120,001-160,000	4,387	(5)	4,382	2.87	13/9
G	160,001-320,000	3,195	21	3,216	2.11	15/9
H	>320,000	279	2	281	0.18	18/9
Total		151,890		**152,716**	100%	

3.6 The properties are converted to the Band D equivalent and adjusted for the Local Council Tax Reduction Scheme and other Council Tax Discounts, Exemptions and Disabled Relief and adjusted by the Collection Rate to give the Council Tax Base.

Table 2: Wirral Council Tax Band D calculation 2024/25

Band	Properties 2024	Changes due to LCTRS discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	61,285	(24,716.24)	36,568.76	6/9	24,379.17
B	33,492	(7,452.06)	26,040.34	7/9	20,253.60
C	27,792	(3,990.87)	23,800.73	8/9	21,156.20
D	13,706	(1,511.75)	12,194.05	9/9	12,194.05
E	8,563	(777.52)	7,785.48	11/9	9,515.59
F	4,382	(330.86)	4,051.34	13/9	5,851.94
G	3,216	(231.84)	2,983.66	15/9	4,972.77
H	281	(36.07)	244.43	18/9	488.86
Band A Disabled		(5.9)	87.70		48.72
Total	152,716	(39,053.11)	113,662.89		98,860.90
Assumed Collection Rate					x 97.10%
Adjusted Council Tax Base					95,993.93

3.7 The Collection Rate is calculated by adding the current expected in-year collection together with the amounts of arrears collected expressed as a percentage of the current net collectable debit.

3.8 Based on previous years' experience it is prudent to apply a collection rate of 97.1% for the forthcoming financial year. This is a slight downward adjustment of 0.1% to reflect the current economic climate. This will assure that any collection fund surplus/deficit is minimised. This has been reflected in the setting of the Council Tax Base.

3.9 The recommended figure for 2024/25 is 95,993.93. Compared to the 2023/24 figure of 95,585.07. This is an increase of 408.86. The Council Tax Base has increased due to an increase in the number of properties and projected number of new builds. In addition, the proposed changes to empty property premiums have been factored into the calculations. This is offset by an increase in the number of residents claiming a Council Tax Reduction and a likely reduction in collection rates.

POLICY AND RESOURCES COMMITTEE

Tuesday, 13 February 2024

REPORT TITLE:	**CAPITAL PROGRAMME 2024-29**
REPORT OF:	**DIRECTOR OF FINANCE**

REPORT SUMMARY

This report provides Policy and Resources Committee with the proposed Capital Programme 2024-29 for consideration and referral to Council for approval. It also includes information regarding the revenue implications of this Programme and an update on the latest forecast for capital receipts.

The 2024-29 Capital Programme represents a combination of schemes originally approved as part of the 2023-28 Programme, updated through the Capital Monitoring reports in 2023-24 and new bids for inclusion as detailed in this report.

The report supports the delivery of the Council Plan: Wirral Working Together 2023-27 specifically in terms of the Efficient, Effective and Accessible Council theme. The Capital Programme also contributes towards projects that support all five Council Plan delivery themes.

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

RECOMMENDATION/S

The Policy and Resources Committee is requested to recommend to Council: -

1 the approval of the new bids as detailed in Appendix B to this report requiring £3.3 million of funding for inclusion in the Capital Programme.

2 the approval of the Capital Programme 2024-29 as detailed in Appendix C to this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The purpose of the Capital Programme is to transform the way the Council operates in the medium to long term by taking opportunities from investment in digitalisation, assistive technology and a modern and efficient asset portfolio. This will enable the Council to prioritise and effectively deliver capital investment that contributes to the achievement of Council objectives.

1.2 Links to the revenue budget ensure that revenue funding is provided to meet the financing costs, and any running costs, as a result of the Capital Programme investment.

2.0 OTHER OPTIONS CONSIDERED

2.1 For a scheme to be included in the Capital Programme it must be supported by a Business Case which includes consideration of alternative options and has been reviewed by the Change Advisory Board (CAB) and approved for recommendation by the Investment & Change Board (ICB).

3.0 BACKGROUND INFORMATION

Capital Strategy

3.1 The Capital Strategy is a key document that sets out the Council's medium to long term ambition. As the Medium-Term Financial Strategy sets out the plans for revenue, the Capital Strategy describes the strategic plan for economic growth, digitalisation and the use of assets and how these will support the Council to achieve its objectives.

3.2 An extensive and long-term capital programme is the key to better run services throughout the Borough and a reduced revenue budget commitment over time. Significant investment in assets will enable those assets to be used more efficiently and effectively in the delivery of services and may, as a beneficial by-product, generate a revenue return to support the revenue budget.

3.3 At Policy and Resources Committee in November, the procurement of a Digital Transformation Partner was approved to support the delivery of Council's digital transformation. The Digital Transformation Partner will work with all services across the Council to understand how they operate and identify opportunities for digitalisation to modernise the service and deliver efficiencies.

3.4 The largest proportion of this Capital Programme is within the Regeneration & Place directorate. Asset Management and Housing are both contained within this directorate, but the largest funding is associated with the Regeneration focus. Wirral's Regeneration Programme is set against a backdrop of longstanding economic challenges and regional underinvestment. It is envisaged that successful regeneration will deliver much needed housing delivery and be a fundamental driver of economic growth, creating an inclusive place where people can live and prosper. As well as promoting a portfolio of place-based regeneration schemes, the vision includes significant infrastructure delivery requirements necessary to boost accessibility and connectivity across the borough. 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. Capital funding is the catalyst to making this happen.

3.5 The Capital Strategy does not stand alone. It is intrinsically linked to a suite of other documents which together will enable the achievement of the Council's long-term strategic ambition. These are:

- The Council Plan: Wirral Working Together 2023-27

- The Asset Strategy, which was approved by Policy & Resources Committee on 9 November 2022. The strategy will set the high-level framework for managing Wirral's Public Sector land and property for the future. It is 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 Economic Strategy sets out the ambition for growing a strong economy in the Borough in conjunction with support from the Liverpool City Region Combined Authority. The strategy was approved by the Economy Regeneration & Development Committee on the 22 November 2021.

- The Treasury Management Strategy which is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved; and

- The Medium-Term Financial Strategy in supporting the Council to remain financial sustainable by investing in cost saving and income generating projects to avoid high-cost reactive activity in future years

Investment and Change Board (ICB)

3.6 The role of the ICB is to ensure alignment of investments against corporate priorities giving due consideration to risk. Amongst its functions are:

- The development, monitoring and review of the capital investment appraisal system, providing guidance when bids are submitted.

- To assess, recommend, accept or reject capital bids to Members in accordance with the above appraisal system.

- To ensure that all bids for capital funding are aligned to the Council strategies and the Council Plan.

Capital Programme

3.7 The Capital Programme details the schemes being undertaken over the medium term which help the Council achieve its objectives. It is aligned to the Council Plan and Medium-Term Financial Strategy. It is reviewed, updated and considered by Council each year as part of the annual budget setting process.

3.8 Government announcements may include grant support for specific themes but grant acceptance as with other investment is based upon affordability over the whole asset life. Additional grant funding may be announced during the year. The inclusion of any schemes funded from new grant notifications will be reported through the capital monitoring process.

3.9 If an asset is sold then the proceeds, known as capital receipts, can be spent on new assets or to repay debt. In accordance with the capital receipts flexibilities introduced by the Government capital receipts generated can be used to support expenditure that is 'Transformational' in nature until 31 March 2025. Repayments of capital grants, loans and investments also generate capital receipts.

3.10 It is assumed that capital receipts achieved will be either used towards the repayment of the Capitalisation Directive relating to 2020/21 and 2021/22 or to finance new bids requiring Council funding. As above, the Council retains the ability to fund further transformation projects which have a benefit to the revenue budget until 31 March 2025.

New Submissions

3.11 Each scheme should be supported by a business case which enables an assessment to be undertaken to ensure that it is either targeted to Council priority areas or fulfils statutory obligations. Individual bids have been scrutinised by the ICB for review. Schemes that are deemed suitable for progression are then referred to Policy & Resources Committee before Council for full formal approval as per the requirements of the Council constitution.

3.12 Due to the restricted financial environment within which the Council must operate, ICB assess whether a proposed capital bid meets agreed criteria if it is to progress to Committee. This assessment considers whether the bid is for essential health and safety works, does the bid present an 'invest to save' opportunity, or is the scheme of significant strategic importance to the Council.

3.13 Wherever financially viable, a bidding department is instructed that the cost of financing the Capital investment is to be met from either their existing revenue budgets or via additional income/cost savings that result from the investment. This approach re-emphasises a key factor that Capital investment is not 'free money.' Any borrowing incurred as a result of Capital expenditure is ultimately repaid via the revenue budget.

3.14 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 the Council to better 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.

3.15 As a consequence of adopting this flexible approach to allowing and assessing bids, the Capital Programme will evolve further as the financial year progresses. This will include new schemes that require funding in the current year as well as potentially funding in future years, along with schemes that then may require re-profiling in terms of their projected expenditure and timing.

3.16 The new capital submissions are included within Appendix A to this report, with a summary of the main bids below.

Landican Cemetery Extension of Burial Area & Modernisation of Chapel Complex

3.17 The project involves the extension of Landican Cemetery at its south-western corner to create additional burial plots each of approximately 0.27 hectares within the existing cemetery boundary, as current space is forecast to be fully utilised within the foreseeable future. Investment is also being sought to enhance the chapel complex and provide increased facilities to those using the facility.

Environmental Improvements

3.18 A top up to the allocated £300k for replacement litter bins, expanding the scope of this allocation to support members' priorities around environmental improvements. This can include modest enhancements to parks and green spaces, investment in gully-cleaning machinery, improvement in our capability to monitor air quality and any other suitable investment in accordance with the council's priorities and policies.

Bidston Court Path Improvements

3.19 Bidston Court Gardens is a Public open space classified as a local park. The current state of Bidston Court Park's pathways presents a series of substantial safety concerns. The project involves the careful removal of the existing Victoria brick surfaces, followed by the environmentally intentional process of filling the pathways with soil and seeding. This approach not only optimises our financial resources but also contributes to the sustainable regeneration of the park.

2024/29 Capital Programme

3.20 In forecasting a five year Programme it is recognised that there are many variables and factors that will impact on future requirements. The Programme will be subject to regular review to ensure the most effective use of resources whilst providing the opportunity to update agreed schemes, bring forward deferred schemes as necessary and add any new schemes which will arise as new funding is identified and delivery plans are developed along with Council partners.

3.21 The 2024/29 Capital Programme represents a combination of:

a) Schemes approved as part of the 2023/28 Programme and updated through the Capital Monitoring reports in 2023/24. The table below reflects the Quarter 3 position 2023/24.

Table 1: Capital Programme - per Quarter 3 23/24 Monitoring Report

Analysis of Capital Programm	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**
Adult Care & Health	1,560	3,279	-	-	-
Children, Families & Education	10,561	11,818	3,649	2,500	2,500
Finance (Formerly Resources)	5,306	2,717	-	-	-
Neighbourhoods	24,369	13,241	3,590	5,748	5,200
Regeneration & Place	55,307	121,266	28,024	5,203	-
Total Expenditure	**97,103**	**152,321**	**35,263**	**13,451**	**7,700**
Financing					
Borrowing	38,398	28,672	11,745	3,703	500
Capital Receipts	2,289	2,512	722	-	-
Grants	53,761	121,092	21,626	9,748	7,200
Revenue/Reserve Contribution	2,655	45	1,170	-	-
Total Financing	**97,103**	**152,321**	**35,263**	**13,451**	**7,700**

b) New bids for consideration at this meeting. The emphasis has been to ensure that the bids support the delivery of the Council Plan and the priorities within. Appendix A to this report provides a brief description of each scheme. Appendix B to this report provides details of the borrowing requirement and revenue implications of funding each scheme.

Table 2: New bids for funding for inclusion in the Programme

Service Area	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**	**2028/29 £000**
Neighbourhoods	2,109	640	550	-	-
Total	**2,109**	**640**	**550**	**-**	**-**

3.22 The bid submission process allows bids to be presented throughout the year, rather than at one deadline for inclusion in this programme setting report. There are new bids which are seeking Council approval via the Quarter 3 2023/24 Capital Monitoring report. This would allow works on successful bids to commence in 2023/24 rather than having to wait for 2024/25.

3.23 Given the severe financial circumstances the Council is facing, there has been a strict approach to accepting new bids. With no surplus revenue budget readily available to finance new bids, only bids which can self-finance the associated capital financing costs and/or are vital and strategically important can be considered for inclusion.

3.24 The proposed Capital Programme combines Tables 1 and 2, some revised reprofiling, together with estimates for continued grant to be received for both Schools Modernisation of £2.5 million and Disabled Facilities Grant of £4.7 million through to 2028/29. Factored into the programme for 2024/25 is the inclusion of £2.0 million for Transformational Capitalisation, to be funded via capital receipts. Also included is an estimate in 2026/27 for a potential food waste scheme, although at this time this scheme is deferred pending a full review once complete, full details will be presented for approval. The detail of the programme can be found in Appendix C to this report.

Table 3: Proposed Capital Programme 2024/29

Analysis of Capital Programme	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Adult Care & Health	3,279	-	-	-	-
Children, Families & Education	11,818	3,649	2,500	2,500	2,500
Finance	4,717	-	-	-	-
Neighbourhoods	15,350	4,230	6,298	-	-
Regeneration & Place	57,464	70,134	25,423	5,900	5,472
Total Expenditure	**92,628**	**78,013**	**34,221**	**8,400**	**7,972**
Financing					
Borrowing	25,214	14,788	6,020	1,200	772
Capital Receipts	4,512	722	-	-	-
Grants/External Contributions	62,857	61,333	28,201	7,200	7,200
Revenue/Reserve Contributions	45	1,170	-	-	-
Total Financing	**92,628**	**78,013**	**34,221**	**8,400**	**7,972**

Capital Receipts

3.25 The available balance for general use in the Capital Receipts Reserve at 1 April 2023 was approximately £1.0 million. This is after accounting for capital accounting adjustments and ring-fenced receipts arising for example from the sale of school playing fields and which must be spend in a prescribed manner. With regards to future receipts that may be achieved, there is much uncertainty and external factors such as the economic landscape will affect the level of receipts received. Longer term projections can be updated as and when more information becomes available.

3.26 All Council assets will be reviewed to assess which are not essential to the delivery of Council services with a view to disposal where appropriate.

Table 4: Projected Capital Receipt Generation

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Anticipated receipts	3,085	3,475	8,475	1,600	3,040	-

3.27 The estimated value of receipts to be achieved and their utilisation, for later years will be updated though the Capital monitoring procedures.

Grant Funding

3.28 Wherever possible the Council will continue to seek grant funding to either replace a known borrowing requirement or to enable Capital schemes to take place or be continued. In the event of any notable grant awards being achieved in the future, the relevant schemes will be introduced into the capital programme via the regular monitoring reports.

Liverpool City Region Freeport

3.29 Wirral Waters is one of three designated Freeport tax sites in the Liverpool City Region approved by government in January 2023, with a range of incentives for eligible developers and businesses that can support economic growth. One of the measures enables the Council to retain growth in business rates income within the tax site area, above an agreed baseline, over a guaranteed 25 year period. Through tax increment financing the Council can invest in projects and recoup the borrowing for investments from the future growth in retained business rates. In March 2023, having considered a detailed business case, this Committee approved the establishment of the Freeport Investment Fund to support the Council's tax site regeneration ambitions and the necessary governance and management arrangements required. Given that part of the Freeport tax site overlaps with the existing Enterprise Zone, the business case allowed for re-alignment of the similarly operated Wirral Waters Investment Fund, enabling management through a single financial reserve and modelling approach to inform future investment decisions. Any proposals for funding from the Freeport Investment Fund which fulfil the requisite eligibility criteria will be subject to a robust appraisal process and considered and decided on a case-by-case basis as they come forward.

4.0 FINANCIAL IMPLICATIONS

4.1 The Capital Programme is funded via a number of sources including Council borrowing, capital receipts, grants and revenue contributions. Where the Council finances capital expenditure by borrowing, 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). If the Capital Programme is delivered as forecast in this report (covering the period 2023/24 to 2028/9), the Council will consequently require borrowing of £86.4m to finance the capital schemes covered by this report. This debt would be repaid via charges to the revenue budget over the lives of the assets created or enhanced. The revenue impact of the £86.4m of borrowing required to fund all forecast works in this programme is as follows:

Table 5 MRP Charges to Revenue Relating to 2023/29 Debt Funded Capital

	£000	£000	£000	£000	£000
Additional revenue cost	951	1,624	1,827	2,278	2,399

Notes

- MRP repayments from revenue only start the year after the capital expenditure has taken place i.e., for spend incurred in 2024/25, the first MRP repayments will be charged in the 2025/26 revenue accounts.
- The additional revenue costs in Table 5 are not cumulative, rather an annual comparison to the current MRP charges to be incurred.

4.2 It is estimated that these costs will peak in 2030/31 at £2.62million reflecting the fact that the principal repayment associated with debt (the MRP) increases over the expected life of the asset funded from borrowing. These are the costs associated purely with the capital borrowing detailed within this report, the Council will be subject to MRP charges associated with capital borrowing incurred prior to this programme.

4.3 Where a proposed bid includes the generation of additional income or cost saving as a result of the investment, a budget virement will be sought to the Treasury Management budget to offset the Capital repayments made via the revenue budget.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal issues arising directly from this report, should any such issues arise during an individual scheme, then these matters will be addressed.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The Programme is about investment into the Council assets so does include schemes relating to IT and assets.

7.0 RELEVANT RISKS

7.1 The possibility of failure to deliver the Capital Programme will be mitigated by regular programme review by a senior group of officers, charged with improving performance. The Investment and Change Board (ICB) is supported by the Change Advisory Board (CAB), which will provide enhanced Capital

Programme review. The risks mentioned below are the key risks associated with the delivery of the Capital Programme.

7.2 If the programme is not delivered as projected, this could see individual schemes progressing ahead of, or being behind, the projected timetable. The regular monitoring and reporting of the Programme allow the reprofiling of project budget and for this to be reported back to Committee.

7.3 Capital receipts are below the level estimated. Regular reporting to ICB on progress of asset disposals allows the Capital Programme to be reviewed should this eventuality arise.

7.4 Interest rates increase to a level greater than budgeted for. Regular monitoring of economic forecasts should assist in determining the best time to borrow to fund the Programme. Officers will also be assessing options to fix loan rates to lessen interest rate risk.

7.5 In terms of individual scheme specific risks, these are identified as part of the original business case application and any potential risks to deliverability should be flagged as part of the ongoing scheme review process.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no specific consultation with regards to this report. In terms of the delivery of schemes consultation will take place as part of the scheme development and implementation.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report as they will be identified as each scheme is progressed. Individual schemes within the Programme will have a direct impact upon groups for example the Aids and Adaptations investment within Regeneration. Associated actions may need an Equality Impact Assessment and these will be done at the earliest possible time.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Capital bids are welcomed that support the Council's Environment and Climate Emergency Action Plan that was compiled following the declaration of a Climate Emergency by the Council in July 2019. Within the existing capital programme there are projects that positively contribute to environmental issues, such as the capital bid listed in the report, associated with the Public Sector Decarbonisation Scheme fund bid. The environmental and climate implications, both positive and negative, are reported for each scheme separately to the relevant policy and service committee.

10.2 The programme also includes projects that focus on environmental initiatives such as energy efficient buildings, sustainable and green travel infrastructure, energy efficient street lighting and urban tree planting.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The Community Wealth Building Strategy is a key part of how the Council will tackle economic, social and health inequalities across the borough and make a major contribution to improving the economic, social and health outcomes on the Wirral. Schemes contained within the Capital programme include several regeneration projects that look to improve the economic outlook for the borough, including job creation, training facilities and enhanced transport links. The Community Wealth Building implications are reported for each scheme separately to the relevant policy and service committee

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APPENDICES

Appendix A – Capital Bids for the 2024/29 Capital Programme
Appendix B – Financial Summary of Capital Bids
Appendix C – Proposed Capital Programme 2024/25 to 2028/29.

BACKGROUND PAPERS

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2021/22.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2015.

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with 1.2(a)(i) of the Policy and Resources Committee Terms of Reference:

formulate, co-ordinate and implement corporate policies and strategies and the medium-term financial plan (budget), which includes responsibility for any decision:
(i) that relates to such matters to the extent that they are not reserved to full Council.

Policy and Resources Committee is recommended to refer the decision to Council in accordance with 2(a)(i)(1) of the Functions Reserved to Council:

The Council reserves to itself the following functions (in accordance with the rules and procedures contained in this Constitution):

(i) The Budget – The approval or adoption of a plan or strategy for the control of the local authority's borrowing, investments, or capital expenditure or for determining the authority's minimum revenue provision, which includes the overarching annual: -

(1) Capital programme
(2) Capital Financing Strategy

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Council – 2020/21 Capital Monitoring Q3	1 March 2021
Council - 2020/21 Capital Outturn Report	6 September 2021
Council – 2021/26 Capital Programme	1 March 2021
Council - 2021/22 Capital Financing Strategy	1 March 2021
Council – 2021/22 Capital Monitoring Q1	18 October 2021
Council – 2021/22 Capital Monitoring Q2	6 December 2021
Council – 2021/22 Capital Monitoring Q3	28 February 2022
Council – 2021/22 Capital Outturn Report	11 July 2022
Council – 2022/27 Capital Programme	28 February 2022
Council – 2022/27 Capital Financing Strategy	28 February 2022
Council – 2022/23 Capital Monitoring Q1	10 October 2022
Council – 2022/23 Capital Monitoring Q2	5 December 2022
Council – 2022/23 Capital Monitoring Q3	27 February 2023
Council – 2022/23 Capital Outturn Report	10 July 2023
Council – 2023/28 Capital Programme	27 February 2023
Council – 2023/28 Capital Financing Strategy	27 February 2023
Council – 2023/24 Capital Monitoring Q1	09 October 2023
Council – 2023/24 Capital Monitoring Q2	13 December 2023
Council – 2023/24 Capital Monitoring Q3	26 February 2024

APPENDIX A - Capital Bids for the 2024/29 Capital Programme

A1 Allotment & Cemetery Standpipes- Funding Required £0.313m

United Utilities have been undertaking a Water Supply Audit across all of Wirral Councils 42 Allotment Sites and 9 Cemetery sites. Across all the Allotment sites there are 275 Individual standpipes that require replacement. Across the Cemetery sites there are further 68 standpipes.

United Utilities have reported that the vast majority of standpipes on site do not comply with the Water Regulations.

To ensure the safety of the mains water supply and to prevent potential contamination, these standpipes require upgrading to ensure that they comply with Water Regulations. This will mean that new standpipes need to be fitted as they require non-return valves to prevent back-syphoning of water, individual isolation valves, and for the standpipes themselves to be insulated. The intention is also for standpipes to be boxed to prevent vandalism or unauthorised connections.

A2 Bidston Court Path Improvements- Funding Required £0.350m

The Bidston Court Cemetery pathways have deteriorated significantly over time posing a substantial health and safety hazard to park users. The existing pathway surfaces, composed entirely of Victoria Brick, have been affected by the growth of tree roots, leading to extensive lifting and causing large potholes to develop. These conditions have made the pathways irregular, uneven, potentially dangerous.

This project will eliminate the current health and safety hazards, ensuring that park users can navigate the pathways safely. This reduces the risk of trips, falls, and accidents. By creating smooth and even pathways, we will make the park more accessible to all community members, including individuals with mobility challenges, parents with strollers, and the elderly, ensuring that everyone who walks these pathways can do without worry or fear of accidents.

A3 Football Goals- Funding Required £0.097m

Wirral's Parks & Countryside Service is tasked with the maintenance of 65 full size adult grass football pitches. As a part of this maintenance the service maintains the goals for these adult pitches, removing them in the off season for maintenance and putting them back in place for the next season. In total the service maintains 130 goals for these 65 pitches, two per pitch.

There is a requirement for Capital funding in order to replace these goals due to the age and the failings of the current stock which are now 25/30 years old.

While previously the service has sought to replace / repair the current stock on a rolling programme, the service can no longer purchase the square stock as they are not long manufactured and are deemed non-industry standard.

Current stock of these heavy steel post (200kg per set) and the risk this causes has a health and safety concern to the public and pitch users. Failing structure of the steel will continue to deteriorate causing further risks.

A4 Health & Safety Equipment for Transport Workshop - Funding Required £0.021m

The Fleet Workshop carries out the servicing and repair of all Council owned vehicles, were practical, numbering over 300 vehicles currently.

The Council has recently bought an Electric Vehicle, this will be the first of many as the Council moves away from fossil fuel vehicles as it seeks to reduce its CO_2 emissions following the Council Climate Emergency Declaration. In order to service this and future vehicles the correct tools are required.

In addition, following a recent workplace inspection, some items of equipment have been identified as either being required or in need of replacements.

A5 Arrowe Country Park - Main Driveway Resurfacing & Fencing Work - Funding Required £0.060m

The main tarmac access driveway from Arrowe Park Road and the original park lodge (now in private ownership) to Arrowe Hall requires an urgent upgrade to provide a safe environment both to pedestrian visitors to the park, park staff and both private and external service vehicles to the park lodge.

This work would involve the complete re-surfacing of the driveway at this location and to remove old, damaged park railings and renew some sections. Due to the uneven, broken, and unsafe surfacing, this driveway location within the park poses a significant risk for injury and potential claim (s) due to failing in our duty of care to park visitors, residents of the lodge and Arrowe Hall, park staff and external services providers.

A6 Landican Cemetery Extension of Burial Area & Modernisation of Chapel Complex – Funding Required £1.310m

The project involves the extension of Landican Cemetery at its southwestern corner to create at least five/six additional burial plots each of approximately 0.27 hectares within the existing cemetery boundary.

The works will include new burial plots, providing additional sections for full burials, cremated remains and a natural burial area together with hard and soft landscaping and new access road linked to the existing cemetery infrastructure.

The existing cemetery extension was created in 2008 and predicted capacity is as follows based on current trends:

- Full burials – 3 years
- Cremated Remains burials – 4-5 years

The key benefit of the cemetery extension will be that the project will generate space for additional grave spaces and will extend the provision of burial within the cemetery for a further 20+ years.

Whilst being able to enjoy some of the leading cremator engineering and performance, unfortunately, the focal public areas, including the chapels themselves, are now showing major signs of wear and tear and are in desperate need of refurbishment and modernisation to bring them to an acceptable level.

By improving the aspect of the service that our visitors see, the return on the investment would be achievable, as families would continue to select Landican for their cremation instead of traveling to Chester or Liverpool Springwood who are able to offer a more modern setting. It will also place Landican in a good position to maintain its current catchment area, where competition for the establishment of a new private crematorium in nearby Hooton has been seen over previous years

A7 Allotment Sites Expansion – Funding Required £0.148m

Wirral Council has a legal obligation to provide allotments to its residents and has an Allotment Strategy which recognises the importance of delivering allotments for Wirral residents. As part of the Strategy, and in recognition of both high demand and large waiting lists for allotments, there is a target to provide one thousand additional allotment plots.

An additional site at Dawson allotments for extension has been identified and a request for planning permission is about to be submitted for this site. Additional funds will be required to ensure completion and also to start work on the next site identified for extension, which is Love Lane.

The Capital Bid has also allowed for a number of unlettable plots, which have been out of use for over twenty years, to be brought back into use**.**

A8 Environmental Improvements – Funding Required £1.0m

In the Quarter 1 Capital Monitoring 2023/24 report funding was sought and approved or £0.3 million to provide a comprehensive infrastructure of litter bins to capture litter at specific locations, provide and maintain the Authorities litter bin provision. The additional funding being sought will allow the expansion of the scope of this allocation to support members' priorities around environmental improvements. This can include modest enhancements to parks and green spaces, investment in gully-cleaning machinery, improvement in our capability to monitor air quality and any other suitable investment in accordance with the council’s priorities and policies.

APPENDIX B - Financial Summary of Capital Bids

Scheme Ref	Scheme	Total Funding Required £000	Borrowing Required £000	Revenue Cost 2024/25 £000	Revenue Cost 2025/26 £000	Revenue Cost 2026/27 £000	Revenue Cost 2027/28 £000	Revenue Cost 2028/29 £000
A1	Allotment & Cemetery Standpipes	313	313	16	25	25	26	27
A2	Bidston Court - Path Improvements	350	350	18	28	29	29	30
A3	Football Goals	97	97	5	7	7	7	7
A4	Health & Safety Equipment for Transport Workshop	21	21	1	3	3	3	3
A5	Arrowe Country Park - Main Driveway Resurfacing & Fencing Work	60	60	3	5	5	5	5
A6	Landican Cemetery Extension of Burial Area & Modernisation of Chapel Complex	1,310	1,310	6	40	76	85	86
A7	Environmental Improvements - Top Up	148	148	7	9	9	9	9
A8	Allotment Sites Expansion - Top Up	1,000	1,000	50	130	134	138	142
	Total	**3,299**	**3,299**	**105**	**246**	**288**	**301**	**308**

Notes to Appendix B:

The estimated revenue costs factor in both the repayment of capital, via the Minimum Revenue Provision and the estimated interest cost associated with the borrowing required.

Revenue costs will increase year on year due to the nature of the Minimum Revenue Repayment (MRP) repayment calculation, which is based on an annuity repayment profile.

Where a proposed bid includes the generation of additional income or cost saving as a result of the investment, a budget virement will be sought to the Treasury Management budget to offset the Capital repayments made via the revenue budget.

If a scheme is funded via a repurposing of previously approved budget, the revenue costs indicated above will already be included within capital financing charges to the revenue budget.

APPENDIX C - Proposed Capital Programme 2024/25 to 2028/29

In Detail:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Adult Care and Health					
Extra Care Housing	2,276	-	-	-	-
Liquidlogic - Early Intervention & Prevention	169	-	-	-	-
Telecare & Telehealth Ecosystem	834	-	-	-	-
Total Adult Care and Health	**3,279**	**-**	**-**	**-**	**-**
Children, Families & Education					
Basic Needs	504	427	-	-	-
Child Care Capital Expansion Fund	604	-	-	-	-
Children's System Development	445	-	-	-	-
School Condition/Modernisation Allocation	6,698	2,500	2,500	2,500	2,500
Family Support	157	-	-	-	-
High Needs Provision Capital	2,520	-	-	-	-
School Works - Department For Education Ringfenced Receipts	722	722	-	-	-
Transforming Care - Theraputic Short Breaks	168	-	-	-	-
Total Children, Families & Education	**11,818**	**3,649**	**2,500**	**2,500**	**2,500**
Finance					
Creative & Digital Team - Specialist Software and Hardware	3	-	-	-	-
Customer Experience Improvements Project	288	-	-	-	-
Enterprise Resource Planning (ERP)	500	-	-	-	-
IT Client Refreshment, Laptops, Desktops & Tablets	1,790	-	-	-	-
Transformational Capitalisation	2,000	-	-	-	-

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Finance (continued)					
Upgrade of WIFI Network	97	-	-	-	-
Worksmart I.T.	39	-	-	-	-
Total Finance	**4,717**	**-**	**-**	**-**	**-**
Neighbourhoods					
Air Quality Control DEFRA	40	-	-	-	-
Allotment & Cemetery Standpipes	313	-	-	-	-
Allotment Sites Expansion	172	-	-	-	-
Arrowe Country Park - Main Driveway Resurfacing & Fencing	60	-	-	-	-
Arts Council Capital	7	-	-	-	-
Ashton Park Lake	48	-	-	-	-
Bidston Court - Path Improvements	350	-	-	-	-
Birkenhead Park World Heritage Project Team	85	-	-	-	-
Bridges excluding Dock Bridge	607	-	-	-	-
Catering Units	53	-	-	-	-
Cemetery Extension & Improvements (Frankby)	47	-	-	-	-
Churchyard Boundary & Landican Cememetery Structural	19	-	-	-	-
Climate Emergency Budget	17	-	-	-	-
Coastal Defence - Meols Feasibility Study	100	-	-	-	-

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Neighbourhoods (continued)					
Combined Authority Transport Plan (CATP)	3,397	1,910	1,910	-	-
Coronation Park Sustainable Drainage	222	-	-	-	-
Defibrillators	4	-	-	-	-
Dock Bridges replacement	70	-	-	-	-
Environmental Improvements	1,075	75	75	-	-
Fitness Equipment	2	-	-	-	-
Food Waste	-	-	3,200	-	-
Football Goals	97	-	-	-	-
Future Golf - Project 1.1	250	-	-	-	-
Health & Safety Equipment for Transport Workshop	21	-	-	-	-
Highway Maintenance	2,884	563	563	-	-
Key Route Network (LGF3) - Operate Key Roads / Routes	55	-	-	-	-
Key Route Network (CRSTS)	586	-	-	-	-
Landican Cemetery Extension of Burial Area & Modernisation of Chapel Complex	120	640	550	-	-
Levelling Up Parks Fund-Woodchurch	13	-	-	-	-
Moreton Sandbrook Drainage	203	-	-	-	-
New Brighton Gym Equipment	1	-	-	-	-
New Ferry Rangers Community Clubhouse	281	-	-	-	-
Parks Machinery	545	-	-	-	-
Parks Vehicles	449	42	-	-	-

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Neighbourhoods (continued)					
Play Area Improvements	59	-	-	-	-
Plymyard Cemetery Roadways	25	-	-	-	-
Plymyard Playing Field	45	-	-	-	-
PSDS Decarbonisation Phase 1	958	1,000	-	-	-
Quick Win Levy	20	-	-	-	-
Removal of Remaining Analogue CCTV Circuits	4	-	-	-	-
Street Lighting -Column Replacement & Signage	170	-	-	-	-
Studio Refurbishment Les Mills Classes	5	-	-	-	-
Surface Water Management Scheme	57	-	-	-	-
Tower Road National Productivity Investment Fund (NPIF)	52	-	-	-	-
Traffic Signal LED Upgrade	389	-	-	-	-
Tree Strategy	21	-	-	-	-
Urban Tree Challenge Fund	49	-	-	-	-
Wallasey Embankment Toe Reinforcement	248	-	-	-	-
Williamson Art Gallery Catalogue	19	-	-	-	-
Williamson Art Gallery Ventilation	96	-	-	-	-
Wirral Tennis Centre - 3G Pitch	355	-	-	-	-
Woodchurch Sports Pavillion	585	-	-	-	-
Total Neighbourhoods	**15,350**	**4,230**	**6,298**	**-**	**-**

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Regeneration and Place					
Active Travel Tranche 2	777	-	-	-	-
Aids, Adaptations and Disabled Facility Grants	6,524	4,700	4,700	4,700	4,700
Arrowe Country Park - New Machine Shed & Wash Bay	79	-	-	-	-
Arrowe Country Park Depot: Re-Surfacing, Material Bays & Electronic Entrance Barrier	27	-	-	-	-
Bebington Oval Facility Upgrade	527	-	-	-	-
Birkenhead Market Construction	3,000	8,800	-	-	-
Birkenhead Regeneration Delivery Fund	2,000	-	-	-	-
Birkenhead Regeneration Framework	105	-	-	-	-
Birkenhead Town Centre Masterplanning & Housing Delivery	97	-	-	-	-
Birkenhead Town Centre Sub-Station	2,250	2,250	-	-	-
Birkenhead Waterfront Programme	8,000	11,970	-	-	-
Business Investment Fund	585	-	-	-	-
Capitalisation of Regen Salaries	984	-	-	-	-
Changing Places Toilets	46	-	-	-	-
Clearance	30	195	-	-	-
Community Asset Transfer	500	-	-	-	-
Concerto Asset Management System	8	-	-	-	-
Consolidated Library Works Fund	229	-	-	-	-
Demolitions	1,479	-	-	-	-
Depot Welfare Improvements	15	-	-	-	-
Empty Property Grant Scheme	310	-	-	-	-

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Regeneration and Place (continued)					
Emslie Morgan (Solar Campus)	149	-	-	-	-
Future High Streets Fund New Ferry	1,000	1,112	-	-	-
Floral Pavilion	33	-	-	-	-
Future High Streets - Birkenhead	4,903	1,170	-	-	-
Health & Safety - Condition Surveys	700	700	700	700	772
Heswall Day Centre	17	-	-	-	-
Hind Street Programme	5,000	18,528	18,528	-	-
Leisure Capital Improvement Programme	470	-	-	-	-
Levelling Up Fund 3 - Liscard	634	751	-	-	-
Lever Sports Pavilion	80	-	-	-	-
Liscard Town Centre Delivery	3	-	-	-	-
Moreton Youth Club & Library	993	-	-	-	-
New Brighton Masterplan for Marine Promenade	15	-	-	-	-
New Ferry Regeneration Strategic Acquisitions	842	-	-	-	-
Parks and Countryside Equalities Act	419	-	-	-	-
Pool Covers	10	-	-	-	-
Property Pooled Plus I.T System	3	3	3	-	-
Strategic Acquisition Fund	1,000	1,000	992	-	-
Strategic Acquisitions - Capital Enhancements	667	500	500	500	-
Sustainable Urban Development - Leasowe to Seacombe	3,016	-	-	-	-
Transport Advisory Group - A41 Corridor North	117	-	-	-	-
Transport Advisory Group - Wirral Waters	13	-	-	-	-

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Regeneration and Place (continued)					
Town Centre scheme - New Ferry	2	-	-	-	-
Town Deal Fund - Birkenhead	8,909	11,455	-	-	-
Town Fund Birkenhead	18	-	-	-	-
UK Shared Prosperity Fund (UKSPF)	445	-	-	-	-
Vale Park Toilets	33	-	-	-	-
West Kirby Concourse/Guinea Gap Reception Upgrade	351	-	-	-	-
West Kirby Marine Lake/Sailing Centre	31	-	-	-	-
West Kirby Masterplan	19	-	-	-	-
Wirral Waters Investment Fund	-	7,000	-	-	-
Total Regeneration and Place	**57,464**	**70,134**	**25,423**	**5,900**	**5,473**
TOTAL PROGRAMME	**92,628**	**78,013**	**34,221**	**8,400**	**7,972**

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WIRRAL

POLICY AND RESOURCES COMMITTEE

Tuesday, 13 February 2024

REPORT TITLE:	**CAPITAL FINANCING STRATEGY 2024/25**
REPORT OF:	**DIRECTOR OF FINANCE**

REPORT SUMMARY

The Council's treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy (CIPFA) 2021 Code of Practice on Treasury Management ("the Code"), in which there is the requirement for Council to approve an annual Capital Strategy. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The report supports the delivery of the Council Plan: Wirral Working Together 2023-27 specifically in terms of the Efficient, Effective and Accessible Council theme. The Capital Programme also contributes towards projects that support all five Council Plan delivery themes.

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

RECOMMENDATION/S

The Policy & Resources Committee is requested to recommend to Council the approval of:

1 the Capital Strategy for 2024/25;

2 the associated Prudential Indicators to be adopted, contained within this report and

3 the Council's Minimum Revenue Provision policy as set out in Appendix A of this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 In order to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of value for money, prudence, sustainability and affordability the Council should have in place a capital strategy that sets out the longer-term context in which capital expenditure and investment decisions are made. It should give due consideration to both risk and reward and the impact on the achievement of priority outcomes.

2.0 OTHER OPTIONS CONSIDERED

2.1 CIPFA's 2021 Code of Practice on Treasury Management requires the production of annual Capital strategy. The accompanying 2024/29 Capital programme has implications on the levels of borrowing being forecast within this report and resultant prudential indicators. Production of an annual strategy is standard practice however should it become appropriate to amend any key elements of this strategy during the period covered, a revised report will be produced.

3.0 BACKGROUND INFORMATION

3.1 This capital strategy report gives 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.

3.2 Decisions made this year on capital and treasury management will have financial consequences for the Council 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

3.3 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.

3.4 Comparative expenditure figures are shown below and as can be seen in 2024/25, the Council is planning capital expenditure of £92.6 million.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	Total
	£000	£000	£000	£000	£000	**£000**
Capital Expenditure	62,103	97,103	92,628	78,013	34,221	**364,068**
Total	**62,103**	**97,103**	**92,628**	**78,013**	**34,221**	**364,068**

3.5 In 2024/25 a change in the accounting for leases and Private Finance Initiative (PFI) will be introduced. Any impact on the figures quoted above or on any figures in this strategy will be reported and revised indicators set.

3.6 A summary of the planned Capital expenditure, by Directorate is as follows, with full details available via the 'Capital Programme 2024/29' report, also on the agenda for this Committee meeting:

Table 2: Planned Directorate Capital Expenditure

Directorate	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000
Adult Care and Health	3,279	-	-
Children, Families & Education	11,818	3,649	2,500
Finance	4,717	-	-
Neighbourhoods	15,350	4,230	6,298
Regeneration & Place	57,464	70,134	25,423
Total	**92,628**	**78,013**	**34,221**

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

Table 3: Capital Financing

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
External Sources - Grants & Contributions	39,978	53,761	62,857	61,333	28,201	**246,130**
Own Resources - Capital Receipts, Revenue contributions	3,522	4,944	4,557	1,892	-	**14,915**
Debt - Borrowing	18,603	38,398	25,214	14,788	6,020	**103,023**
Total	**62,103**	**97,103**	**92,628**	**78,013**	**34,221**	**364,068**

3.8 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). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

3.9 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. According to the estimates in table 3 the CFR is expected to increase by £9 million during 2024/25. Based on the above figures for expenditure and debt repayments that are estimated, the Council's estimated CFR is forecast as follows:

Table 4 Prudential Indicator: Estimates of Capital Financing Requirement

	31/3/2023 Actual	31/3/2024 Forecast	31/3/2025 Estimate	31/3/2026 Estimate	31/3/2027 Estimate
	£000	£000	£000	£000	£000
Opening CFR	**371,702**	**376,489**	**400,262**	**409,715**	**407,728**
Debt Funded Capital Expenditure	18,603	38,398	25,214	14,788	6,020
Repayment of Debt (MRP)	- 9,347	- 10,156	- 11,292	- 12,306	- 12,485
Repayment of Debt (Capital Receipts)	- 4,469	- 4,469	- 4,469	- 4,469	-
Closing CFR	**376,489**	**400,262**	**409,715**	**407,728**	**401,263**

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

3.10 Within table 4 there is the inclusion of capital receipts being applied to reduce the overall CFR on the Council's balance sheet. These receipts are received from neighbouring Authorities regarding their annual repayments to the Merseyside Residual Debt Fund which is administered by the Council and due to be fully repaid in 2025/26.

Capital Bidding Process

3.11 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 to include:

- 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

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

- Essential Health and Safety/Equalities 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 Council Plan
- Where external grant funding becomes available to fully fund schemes

Governance

3.13 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 Finance / 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 potential projects.

3.14 Change Advisory Board –the new Change Advisory Board was established to replace the former Technical Design Authority. To streamline new change proposals and IT hardware/software proposals, a new Strategic Outline Business Case was developed which incorporated the previous requirements and the Change Advisory Board established which considers these business cases for approval/rejection. This board reports to ICB.

3.15 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.

3.16 An overall summary of the various recommendations from ICB is then produced for a final report being prepared for Members' consideration at Policy & Resources Committee for eventual consideration by and formal approval by full Council.

3.17 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 the 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.

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

3.19 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 monthly to the Investment & Change Board 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 the Investment & Change Board.

Asset Management

3.20 To ensure that capital assets continue to be of long-term use, the Council has an Asset Strategy that was approved by Policy & Resources Committee on 9 November 2022. The strategy will set the high-level framework for managing Wirral's Public Sector land and property for the future. It is 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.

3.21 The strategy centres on securing financial stability as the number one priority as this will enable the Council to have the ability to drive forward the service improvements most needed by our communities. To achieve this the Council will need to ensure that its business model provides maximum value for money to ensure the primary focus is on delivering meaningful impact for the benefit of all those who live and work in the Borough. This will be achieved by:

- Effectively managing finances to afford the required investment in the future.
- Supporting and equipping the workforce to be agile and customer focussed.
- Maximising the use of IT and technology to create efficiencies that enable greater investment in those with the greatest needs.
- Consolidating assets to reduce overheads and improve service integration through co-location.
- Putting the customer first in all service planning.
- Learning from customers' lived experience.
- Enabling people and communities to be as independent and resilient as they can be.

3.22 The Council 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.

3.23 The Council is actively engaged in the One Public Estate (OPE) which is an established national programme delivered by the Office of Government Property (OGP) within the Cabinet Office and the Local Government Association (LGA). The programme is about creating economic growth (new homes and jobs), delivering more integrated, customer-focused services and generating efficiencies, through capital receipts and reduced running costs.

3.24 The Asset Strategy is focussed in six key priority areas

1. Strategic Delivery of Asset Strategy

2. Disposal Policy and Asset Transfer Policy
3. Strategic Management of Operational Assets
4. Asset Transfer, Community Asset Transfer and Community Wealth Building
5. Using assets for delivery of Regeneration and Housing
6. Reduce the impact of the Estate and Services on the Environment

Asset Disposals

3.25 All Council assets will be reviewed to assess which are not essential to the delivery of Council services with a view to disposal where appropriate. If an asset is sold then the proceeds, known as capital receipts, can be spent on new assets or to repay debt. In accordance with the Capital Receipts flexibilities introduced by the Government capital receipts generated can be used to support expenditure that is 'Transformational' in nature until 31 March 2025. Repayments of capital grants, loans and investments also generate capital receipts. The Council estimates to receive capital receipts in the coming financial year as follows:

Table 5: Projected Capital Receipt Generation

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Anticipated receipts	3,085	3,475	8,475	1,600	3,040	-

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

Treasury Management & Borrowing

3.27 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.

3.28 As a consequence of decisions to approve past capital programmes, the Council currently has £259 million borrowing at an average interest rate of 5.7% and £42 million treasury investments (as at 31 December 2023).

3.29 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 cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher. The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

3.30 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 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/2023 Actual £m	31/3/2024 Forecast £m	31/3/2025 Estimate £m	31/3/2026 Estimate £m	31/3/2027 Estimate £m
Debt	316.4	314.5	373.9	376.0	381.7
Capital Financing Requirement	376.5	400.3	409.7	407.7	401.3

3.31 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable Borrowing Limit

3.32 The Council is legally obliged to set an authorised borrowing 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. The limits are based upon the level of CFR, planned capital borrowing over the current and following two years, along with additional scope to cover potential refinancing of existing debt.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt

	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m
Authorised Limit - Borrowing	458	440	428	415
Authorised Limit - PFI and Leases	56	53	50	46
Authorised Limit - Total External Debt	**514**	**493**	**478**	**461**
Operational Boundary - Borrowing	448	430	418	405
Operational Boundary - PFI and Leases	51	48	45	41
Operational Boundary - Total External Debt	**499**	**478**	**463**	**446**

3.33 Further details on borrowing can be found in the Treasury Management Strategy report, which is also on the agenda for this Committee meeting.

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

3.35 The level of investment income, both from Treasury and commercial investments, included within the Council budget should not be set too high so that the revenue budget is overly reliant on commercial returns.

Table 8: Prudential Indicators: Proportionality of Investments

	2023/24 Forecast £000	2024/25 Budget £000	2025/26 Budget £000	2026/267 Budget £000
Gross service expenditure	676,208	690,024	707,750	732,930
Investment income	2,000	2,000	3,000	3,000
Proportion	0.30%	0.29%	0.42%	0.41%

3.36 Further details about commercial activities can be found in the Investment Strategy Statement, which is also on the agenda for this Committee meeting.

Revenue Budget Implications

3.37 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue. 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

	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Financing Costs (£m)	26.9	31.2	32.4	33.1
Proportion of net revenue stream	7.36%	7.97%	8.12%	8.29%

Sustainability

3.38 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.

3.39 The agreed Capital Programme includes projects costed at current year prices with many subject to a subsequent tender process which may 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.

3.40 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.

3.41 The re-profiling and slippage from previous years is fully funded but increases the pressure to deliver the anticipated 2024/25 Programme. Any such delays will impact on the delivery of the intended outcomes of capital schemes.

Knowledge and Skills

3.42 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 Finance is a qualified accountant. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, RICS.

3.43 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, CBRE as consultants related to Regeneration initiatives and 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.

4.0 FINANCIAL IMPLICATIONS

4.1 This report is focussed on providing clarity on the Capital financing strategy, and although there are financial implications to the delivery of this strategy, there are none directly arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) also places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 The possibility of failure to deliver the Capital Programme will be mitigated by regular programme review by a senior group of officers, charged with improving performance. The Investment and Change Board (ICB) is supported by the Change Advisory Board (CAB), which will provide enhanced Capital Programme review.

7.2 The possible failure to deliver the Revenue Budget is being mitigated by:

- Senior Leadership / Directorate Teams regularly reviewing the financial position.
- Availability of General Fund Balances.
- Where possible, reprofiling of 2024/25 projected Capital expenditure

7.3 In terms of individual scheme specific risks, these are identified as part of the original business case application and any potential risks to deliverability should be flagged as part of the ongoing scheme review process.

7.4 Within the reviews undertaken by the CAB, schemes which encounter difficulties or additional delivery risk will be subject to additional scrutiny and were necessary escalation to ICB.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no specific consultation with regards to this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report. The business case assessment process is currently under review. An Equality Impact Assessment (EIA) consideration may be incorporated into the future business case assessment process. Associated actions may need an EIA and these will be done at the earliest possible time.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Capital bids are welcomed that support the Council's Environment and Climate Emergency Action Plan that was compiled following the declaration of a Climate Emergency by the Council in July 2019

10.2 The programme also includes projects that focus on environmental initiatives such as energy efficient buildings, sustainable and green travel infrastructure, energy efficient street lighting, urban tree planting etc.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The Community Wealth Building Strategy is a key part of how the Council will tackle economic, social and health inequalities across the borough and make a major contribution to improving the economic, social and health outcomes on the Wirral. Schemes contained within the Capital programme include several regeneration projects that look to improve the economic outlook for the borough, including job creation, training facilities and enhanced transport links. The Community Wealth Building implications are reported for each scheme separately to the relevant policy and service committee

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APPENDICES

Appendix A – The Minimum Revenue Provision (MRP) Statement
Appendix B – Flexible Use of Capital Receipts Strategy 2024/25

BACKGROUND PAPERS

CIPFA’s Standard of Professional Practice on Treasury Management.
Treasury Management Strategy Statement 2024/25
Investment Strategy Statement 2024/25

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with 1.2(a)(i) of the Policy and Resources Committee Terms of Reference:

formulate, co-ordinate and implement corporate policies and strategies and the medium-term financial plan (budget), which includes responsibility for any decision:
(i) that relates to such matters to the extent that they are not reserved to full Council.

Policy and Resources Committee is recommended to refer the decision to Council in accordance with 2(a)(i)(1) of the Functions Reserved to Council:

The Council reserves to itself the following functions (in accordance with the rules and procedures contained in this Constitution):

(i) The Budget – The approval or adoption of a plan or strategy for the control of the Council’s borrowing, investments, or capital expenditure or for determining the Council’s minimum revenue provision, which includes the overarching annual: -

(1) Capital programme
(2) Capital Financing Strategy

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Council – 2020/21 Capital Monitoring Q3	1 March 2021
Council - 2020/21 Capital Outturn Report	6 September 2021
Council – 2021/26 Capital Programme	1 March 2021
Council - 2021/22 Capital Financing Strategy	1 March 2021
Council – 2021/22 Capital Monitoring Q1	18 October 2021
Council – 2021/22 Capital Monitoring Q2	6 December 2021
Council – 2021/22 Capital Monitoring Q3	28 February 2022
Council – 2021/22 Capital Outturn Report	11 July 2022
Council – 2022/27 Capital Programme	28 February 2022
Council – 2022/27 Capital Financing Strategy	28 February 2022
Council – 2022/23 Capital Monitoring Q1	10 October 2022
Council – 2022/23 Capital Monitoring Q2	5 December 2022
Council – 2022/23 Capital Monitoring Q3	27 February 2023
Council – 2022/23 Capital Outturn Report	10 July 2023
Council – 2023/28 Capital Programme	27 February 2023
Council – 2023/28 Capital Financing Strategy	27 February 2023
Council – 2023/24 Capital Monitoring Q1	09 October 2023
Council – 2023/24 Capital Monitoring Q2	13 December 2023
Council – 2023/24 Capital Monitoring Q3	26 February 2024

APPENDIX A

Annual Minimum Revenue Provision Statement 2024/25

A1 Where the Council 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 Council to have regard to the former Ministry for Housing, Communities and Local Government's (MHCLG) Guidance on Minimum Revenue Provision most recently issued in 2018.

A2 The broad aim of the former 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.

A3 The former MHCLG Guidance requires the Council 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.

A4 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).

A5 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 with 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. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

A6 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.

A7 Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

A8 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.

A9 For capital expenditure loans to third parties, the Council will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Council's view is consistent with the current regulations.

A10 Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26.

A11 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 Council's estimate of its Capital Financing Requirement on 31st March 2024, the budget for MRP has been set as follows:

	31.03.2024 Estimated CFR £m	**2024/25 Estimated MRP/Receipts £m**
Supported Capital Expenditure	169.59	3.02
Unsupported Capital Expenditure	192.74	7.16
Finance leases and Private Finance Initiative	28.00	3.24
Transferred debt	9.92	4.96
Transferred debt - Capital Receipts Received	-	-4.47
Use of Prior Year Overpayments	-	-2.63
Total General Fund	**400.26**	**11.29**

A12 In earlier years, the Council has made overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to draw down £2.6m of this in 2024/25.

MRP Overpayments	**£m**
Balance 31.03.2023	**15.82**
Drawdown 2023/24	-2.64
Expected Balance 31.03.2024	**13.18**
Drawdown 2024/25	-2.64
Expected Balance 31.03.2024	**10.54**

Appendix B

Flexible Use of Capital Receipts Strategy

Purpose

B1 This report provides background information with regards the statutory guidance on the flexible use of Capital Receipts and its application within this Council. As part of the finance settlement for 2016/17 the government announced new flexibilities allowing local authorities to use capital receipts received in 2016/17, 2017/18 and 2018/19 to be used to fund transformational expenditure, which can include redundancy costs. This was extended in 2018/19 as part of the 'Local Government Finance Settlement' for a further three years until 2021/22. The then MHCLG announced the continuation of the capital receipts flexibility programme for a further 3 years to 31 March 2025, to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

B2 The use of capital receipts to fund transformational costs (up to the value of those capital receipts), rather than applying revenue resources / reserves that would have been previously necessary, allows for these revenue resources to be directed to service areas to facilitate further service re-development and mitigates the financial pressures of the Council for the current and ensuing year.

Background

B3 The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform. Receipts are only permitted to those from the Council and not group entities to be used and for those where the Council does not retain some direct or indirect control of the assets

B4 The Secretary of State's direction initially covered the period from 1 April 2016 to 31 March 2022. As part of the 2022-23 Local Government Finance Settlement the Government announced a 3-year extension from 2022-23 onwards for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery, further details on this will be provided by the Government in due course.

B5 In March 2022 further provided guidance under the Local Government Act 2003 Sections 16(2) and 20: Treatment of costs as capital expenditure for the period beginning 1 April 2022. Further information is provided in this report as to clarification on qualifying expenditure in relation to redundancy costs and that actual expenditure must not exceed planned.

B6 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations. The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

B7 The Secretary of State for Communities and Local Government issued guidance in March 2016 giving local authorities greater freedoms with how capital receipts could be utilised. This Direction allows for the following expenditure to be treated as capital: "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."

B8 To take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from 1 April 2016 with future strategies included within future annual budget documents and reported as appropriate.

B9 Government has provided a definition of expenditure that qualifies for funding from capital receipts: "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. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

B10 Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure. Under the direction in force from 1 April 2022, with respect to redundancy payments, qualifying expenditure will be limited to those amounts that are necessarily incurred as statutory redundancy payments provided the other requirements of qualifying expenditure are met. This restriction does not apply to other severance costs, including pension strain costs; the treatment of these costs remains unchanged from the previous direction.

Monitoring of transformation costs for use of Flexible Capital Receipts

B11 A number of measures are in place to ensure that the qualifying criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered, to ensure that this funding source is only applied to qualifying expenditure. Additionally, detailed monitoring will be undertaken to provide assurance over the value of qualifying spend, benefits realisation and the delivery of anticipated outcomes.

Financial Overview

B12 The Secretary of State's direction requires that details of the actual and proposed application of capital receipts are published within this strategy, including updates from the previous financial year to the Strategy.

B13 The application of this strategy relies on the availability of sufficient capital receipts to fund the qualifying transformation expenditure. If capital receipts generated are insufficient to meet these commitments other funding sources will need to be identified or expenditure reduced.

B14 The Capital Programme for 2024/25 includes £2.0 million utilisation of any usable capital receipts to fund transformational spend. Should this position change, an update will be made via the Capital Monitoring reports to Members, seeking approval for a revised Capital Programme.

B15 Any future utilisation of these capital receipt flexibilities will be allocated to transformational work across the council to ensure recurrent savings can be made and council services, both internally and externally, improved and made more efficient and effective to support the delivery of the Council Plan. This work cannot be achieved by using core budgets alone.

B16 Transformational work mainly takes place within the Strategic Change function which provides the delivery of the Council's new operating model, and strategic change programme. However, there will be other transformational work taking place across the Council that may utilise the capital receipt flexibilities. The Strategic Change activity is being delivered via a series of continuous improvement service reviews that will ensure all services the council provides can generate beneficial outcomes.

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WIRRAL

POLICY AND RESOURCES COMMITTEE

Tuesday 13th February 2024

REPORT TITLE:	TREASURY MANAGEMENT STRATEGY 2024/25
REPORT OF:	DIRECTOR OF FINANCE (S151 OFFICER)

REPORT SUMMARY

Treasury Management is the management of the Council's cash flows, borrowing and investments, and risks associated with those activities. The Council has substantial sums of money both borrowed and invested 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 Council's prudent financial management.

Key points that the report covers are:

- The Council complies with the requirement to produce an annual Treasury Management Strategy.

- This strategy includes the capabilities to re-schedule debt, should a prudent opportunity arise to either minimise interest costs, re-profile the debt maturity profile or reduce the level of refinancing risk.

- The Council has a policy of internal borrowing, which delays entering new long term loan arrangements by using cashflows available to temporarily fund capital expenditure.

- The level of interest charges made to the Treasury budget in 2024/25 will be determined by the delivery rate of the capital programme coupled with the interest rate environment. The level of investment income received will also be affected by the interest rate market; and

- There are investment parameters within which Treasury activity will be carried out during 2024/25.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

The report supports the delivery of The Council Plan: Wirral Working Together 2023 - 27 as the Capital Programme contributes towards projects that support all five Wirral Plan priorities.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

The Policy & Resources Committee is requested to recommend to Council the approval of:

(1) the Treasury Management Strategy for 2024/2025.

(2) the Treasury Management Prudential Indicators for 2024/2025.

(3) the Treasury Management Policy Statement

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATIONS

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires local authorities to determine the Treasury Management Strategy Statement (TMSS) on an annual basis. This report no longer incorporates the Investment Strategy as required under the Department of Levelling Up, Housing and Communities' (DLUHC's) Investment Guidance, which mostly refers to non-treasury investments. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

2.0 OTHER OPTIONS CONSIDERED

2.1 CIPFA's 2021 Code of Practice on Treasury Management requires the production of annual Treasury Management Indicators and a Treasury Management Strategy Statement on likely financing and investment activity. The accompanying 2024/29 Capital Programme impacts on the levels of borrowing being forecast within this report. An annual strategy is standard practice, but should it become appropriate to amend any key elements of this strategy during the period covered, a revised report will be produced.

3.0 BACKGROUND INFORMATION

3.1 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." (CIPFA Treasury Management in the Public Services Code of Practice).

3.2 The Council will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement (see Appendix A), stating the policies, objectives, and approach to risk management of its treasury management activities.

- Suitable Treasury Management Practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

3.3 Treasury Management is about the management of risk. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. Generally, higher financial returns reflect higher levels of risk.

3.4 As per the requirements of the Prudential Code, the Council has adopted the CIPFA Treasury Management Code of Practice. All treasury activity will comply with relevant statute, guidance, and accounting standards.

3.5 Adoption of this Treasury Management Strategy Statement includes approval for the following:

- Treasury Management Strategy for 2024/25.
- Treasury Management Policy Statement; and
- Treasury Management Prudential Indicators for 2024/25.

Economic background

3.6 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's Treasury Management Strategy for 2024/25.

3.7 The Bank of England increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. Although UK inflation and wage growth remain elevated, Arlingclose forecasts that Bank Rate has peaked at 5.25% and The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy.

3.8 The November quarterly Monetary Policy Report forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for Consumer Price Index (CPI) inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

3.9 Office for National Statistics figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. Looking ahead, using the interest rate path implied by financial markets the Bank of England expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target.

3.10 The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period. Regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the Monetary Policy Report showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

3.11 Credit Default Swaps are instruments that can be used to gauge market perception of a bank's financial condition. They are financial derivatives that guarantee against risk, similar to an insurance policy. The greater the perceived risk, the higher the price of insurance. The prices in this market serve as an indicator of the financial direction of a bank, which may impact upon the counterpart limit imposed upon any bank on the investment counterpart list.

On an annual basis, Credit Default Swap price volatility has so far been lowering in 2023 compared to 2022, but this year has seen more of a divergence in prices between ring-fenced (retail) and non-ringfenced (investment) banking entities once again.

3.12 Arlingclose (the Council's treasury management adviser) has advised the Council that the institutions on the Council's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

3.13 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. (Public Works Loan Board (PWLB) interest rates are based on long-term gilt yields; and PWLB is an approved source of borrowing for the Council). Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

3.14 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix I.

Capital Financing Requirement

3.15 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement while balance sheet resources are the underlying sums available for investment. The Council's strategy will be to minimise and delay external borrowing where possible, through the utilisation of investment balances, sometimes known as internal borrowing. The Council's current level of debt and investments are set out in Appendix B.

3.16 CIPFA's Prudential Code of Practice recommends that the Council's total debt should be lower than its highest forecast Capital Finance Requirement over the next three years.

3.17 The forecast movement in the Capital Finance Requirement in coming years is one of the Prudential Indicators. The movement in actual external debt and usable reserves combine to identify the Council's borrowing requirement and potential investment strategy in the current and future years. As determined by the 'Liability Benchmark' described below.

3.18 On 31st December 2023, the Council held £259.4m of borrowing and £41.8m of treasury investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

3.19 Table 1 shows that, because of the capital expenditure plans of the Council over the next three years, there is a net borrowing requirement each year. Useable reserves are subject to review as part of the Medium-Term Financial Strategy. The Council holds a number of reserves, both revenue and capital for various reasons. They provide assurance to ensure financial stability, funding for future initiatives or investments, and allow balances to be earmarked to meet expected future cost pressures.

Table 1: Balance Sheet Summary Analysis

	31-Mar-24 Estimate £m	31-Mar-25 Estimate £m	31-Mar-26 Estimate £m	31-Mar-27 Estimate £m
Total Capital Financing Requirement (CFR)	400	410	408	401
Less: Other Long Term Liabilities	-28	-25	-21	-18
Loans CFR	**372**	**385**	**387**	**383**
Less: Existing Profile of Longer Term External Borrowing	-169	-167	-158	-141
Internal Borrowing	**203**	**218**	**229**	**242**
Less Usable Reserves	-92	-92	-92	-92
New Borrowing Requirement	**111**	**126**	**137**	**150**

3.20 The Council as at 31st December 2023 held £168 million of longer-term loans, an increase of £4 million from March 2023, as part of its strategy for funding previous years' capital programmes. As evidenced by Table 1 there is a difference between the CFR and the level of actual longer-term borrowing. This is due to the Council's approach over recent years of using readily available cash resources rather than entering into costly borrowing to fund the capital programme. This is not a permanent measure as cash balances need to be appropriate to allow reserves to be used as required. The balance sheet forecast in Table 1 shows that in theory the Council could need to borrow up to an additional £126 million in 2024/25. The Council 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.

3.21 Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

3.22 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow, as shown below. The 'Loans Capital Finance Requirement' is derived by subtracting any other long-term liabilities (e.g., PFI liabilities) from the total Capital Finance Requirement.

Table 2: Prudential Indicator: Liability benchmark

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	345	372	385	387
Less: Balance sheet resources	-92	-92	-92	-92
Net loans requirement	**253**	**280**	**293**	**295**
Plus: Liquidity allowance	10	10	10	10
Liability benchmark	**263**	**290**	**303**	**305**

3.23 Table 2 reiterates that over the coming years there will be a requirement to borrow additional funds to deliver the existing capital plans and maintain a minimum level of investments. There is a requirement to show the information in Table 2 in a graphical format, this is included in Appendix C to this report.

BORROWING STRATEGY

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

3.25 Strategy**:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

3.26 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / 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. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.27 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board ("PWLB") but will consider long-term loans from other sources including banks, pensions and local authorities, 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. The Council intends to avoid this activity in order to retain its access to PWLB loans.

3.28 Alternatively, the Council 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.

3.29 In addition, the Council will need from time to time to borrow short-term to cover unexpected cash flow shortages.

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
- UK Infrastructure Bank Ltd.
- any other UK public sector body.
- any institution approved for investments, including UK universities.
- 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.
- retail investors via a regulated peer-to-peer platform; and
- UK Municipal Bonds Agency Plc and other special purpose companies created to enable joint local authority bond issues.

3.31 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; and
- Similar asset based finance

Municipal Bonds Agency

3.32 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. Firstly, borrowing authorities will 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. Secondly 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 this committee.

'Lender's Option Borrower's Option' (LOBO) Loans

3.33 At 31 December 2023 the Council had £51m of exposure to LOBO loans of which £36m of these can be called within 2023/24. 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 re-financing risk to the Council since the decision to call a LOBO is entirely at the lender's discretion. With interest rates having risen recently, there is now a good chance that lenders will exercise their options.

3.34 Any LOBOs called will be discussed with the Council's Treasury Management advisor prior to acceptance of any revised terms. If a lender proposes to exercise its 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, to reduce refinancing risk in later years. 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.

3.35 During 2023, a number of LOBOs were called by the respective lenders. The Council took the opportunity to exit these loans at nil penalty and refinanced the borrowing requirement via PWLB loans. The amount restructured in this way was £23.5m. Following an analysis and negotiation conducted by Arlingclose, the Council chose to refinance a further four LOBOs, totalling £20m and replace the financing with PWLB borrowing. The anticipated saving from this negotiated package of refinancing is £508k.

Short-term and variable rate loans

3.36 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 Council's exposure to shorter dated and variable rate borrowing is kept under regular review.

Debt Rescheduling

3.37 The Council'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.

3.38 The PWLB allows local 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 Council 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 recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years. 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

3.39 As mentioned in paragraph 3.21 to 3.23 the 'liability benchmark' illustrates the current level of Council borrowing. Any potential refinancing of existing loans will be scheduled with the consideration of the existing maturity profile of Council debt, along with the duration of required debt, as per the liability benchmark.

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

Treasury Investment Strategy

3.41 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

At 31st December 2023, the Council held £41 million of treasury investments. In the past 12 months, the Council's treasury investment balance has ranged between £23 and £82 million. Fluctuations in cash balances occur throughout the year as grants are received (e.g., Dedicated Schools Grant), and payments fall due (e.g., PWLB loan repayments). Investment levels were £38m (June 2023), £46m (September 2023), and £41m (December 2023). A similar range in investment level is expected in the forthcoming year, depending on the levels of grant received and the payment profiles.

3.42 Objectives: The CIPFA Code requires the Council 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 Council '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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

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

3.44 Strategy: As demonstrated by the liability benchmark in Appendix C, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

3.45 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

3.46 ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council 's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

3.47 Business models: Under the International Financial Reporting Standard 9, the accounting for certain investments depends on the Council's "business model" for managing them. The Council 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.

3.48 The Council may invest its surplus funds with any of the counterparties shown in Appendix D, subject to the cash and time limits shown.

3.49 Government: Loans to, and 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.

3.50 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.

3.51 Banks and building societies (unsecured): 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.

3.52 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.

3.53 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 Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

3.54 Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council 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 Council's investment objectives will be monitored regularly.

3.55 Real estate investment trusts: 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, real estate investment trusts 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.

3.56 Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

3.57 Operational bank accounts: The Council may incur operational exposures, for example through 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 Council maintaining operational continuity. (Bail-ins provide immediate relief when banks use money from their unsecured creditors, including depositors and bondholders, to restructure their capital. Bailouts occur where the government injects capital into banks, enabling them to continue their operations.)

3.58 Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council'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.

3.59 Where a credit rating agency announces that a rating is on review for possible downgrade (also known as "negative watch") 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.

3.60 Other Information on the Security of Investments: The Council 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 Council'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.

3.61 Reputational aspects: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

3.62 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, and 2022, this is not generally reflected immediately in credit ratings, but can be seen in other market measures. In these circumstances, the Council 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 Council'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.

3.63 Investment Limits: In order that the risk to the Council'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 in Appendix D.

3.64 Limits are also 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.

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

3.66 Liquidity management: The Council 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 Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The Council 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.

3.67 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.

3.68 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. A summary of the key ESG consideration is included in Appendix F to this report.

3.69 Related Matters: Appendix G to this report includes detail on related matters that the CIPFA code requires the Council to include within its Treasury Management Strategy.

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

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

A competitive tendering exercise was completed to appoint an advisor for an initial period spanning April 2021 to March 2024, with the option to extend for a further two years. The successful bid came from Arlingclose Ltd. The Treasury Management team within the Accountancy Services monitor the quality of the service provided.

INTEREST RATE FORECAST

3.71 Economic and interest rate forecasts are provided by the Council's treasury management advisor. The Council will reappraise its strategies from time to time in response to evolving economic, political, and financial events.

POLICY ON DELEGATION

3.72 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Policy and Resources Committee, and for the execution and administration of treasury management decisions to the Director of Finance who will act in accordance with the Council's Strategy Statement, Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

3.73 On a day-to-day basis the Treasury Management Team within Finance undertake the treasury management activities.

3.74 Decisions on short term investments and short-term borrowings may be made on behalf of the Section 151 Officer by the Senior Finance Business Partner with the responsibility for investments or any other members of that team who are empowered to agree deals subject to their conforming to the Council's Treasury Management Strategy and policies outlined in this report.

3.75 A list of the current Authorised Signatories for Treasury Management activity, as designated by the Director of Finance, is included in Appendix H.

3.76 Decisions on long term investments or long-term borrowings (i.e., for periods greater than one year) may be made on behalf of the Section 151 Officer by the Senior Finance Business Partner (or equivalent) or the Finance Business Partner (or equivalent) on the Treasury Management function and will be reported to Committee.

3.77 All officers will act in accordance with the policies contained within this document.

Performance Monitoring and Reporting

3.78 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 Treasury Management Practices.

3.79 The Council will produce an Outturn Report on its treasury activity no later than 30 September after the financial year end.

4.0 FINANCIAL IMPLICATIONS

4.1 Approval and implementation of this strategy will limit financial risks while helping to minimise financing costs and maximise investment returns.

4.2 If the Council fails to set a balanced budget as a result of the significant financial pressures, a Section 114 notice may be issued by the Section 151 Officer. Should this action be required, this would impede upon the Council's ability to borrow funds.

5.0 LEGAL IMPLICATIONS

5.1 The DLUHC Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to "have regard" to "such guidance as the Secretary of State may issue." The Council has adopted the requirement of the DLUHC to produce a Treasury Management Strategy**.** The Council would be putting its financial standing at risk, as well as failing to meet the requirements of the Local Government Act 2003, if it failed to follow the revised Treasury Management Code and the associated guidance. The Council has adopted the CIPFA Code of Practice on Treasury Management. This requires the annual production of a Treasury Management Strategy Statement, which this report fulfils and the reporting of treasury management activities at least twice a year.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising out of this report.

7.0 RELEVANT RISKS

7.1 The Council is responsible for treasury decisions and activity and none of these decisions are without risk. The successful identification, monitoring and control of risk are important and the main risks and mitigations are:

Risk	**Mitigation**
Fluctuations in interest rate levels - Fluctuations in interest rates will impact the authority's finances. While a rise in interest rates would be beneficial for short-term investments which could be reinvested at higher rates, it would be a cost for variable rate borrowing, existing borrowing that needs to be refinanced, and any new borrowing. Higher interest rates can also improve debt rescheduling opportunities by increasing discounts/lowering premiums. Conversely, a fall in interest rates is beneficial for variable rate debt, existing borrowing which needs to be refinanced and new borrowing, but not for variable rate investments which would generate lower returns. Increased costs due to changes in interest rates would negatively impact the revenue position of the council.	That the borrowing and investment profiles are balanced both in terms of maturity (utilising short- and long-term instruments) and also in terms of the nature of the interest rate of the portfolio (fixed rate and variable interest rate products).

Exposure to inflation - Where the Authority's returns/cash flows from investments are lower than the prevailing rate of inflation, those investments/cash flows will be worth less in the future because of the erosion in their purchasing power due to inflation. Such a reduction in value would increase pressure on the council's revenue budget.	That wherever possible investments are entered into at inflation equalling levels of interest. This depends entirely on the nature and purpose of the proposed investment.
Legal and Regulatory Risk - Failure to comply with any legal requirements or regulations could lead to the council gaining a poor reputation, which in severe cases could have wider implications than treasury management. This could lead to cause increased scrutiny from central government, and the possibility of the installation of commissioners to oversee the council's functioning. Not adhering to the PWLB lending arrangements could mean being locked out of accessing funding from them as lender of last resort. Also, counterparties may choose not to deal with the authority, limiting the council's access to investment opportunities and/or sources of borrowing, and as a minimum increasing borrowing costs due to the higher perceived risk of dealing with the council.	That appropriate legal advice is sought on new opportunities to ensure adherence to relevant legislation and regulation.
Credit and Counterparty Risk (Security of investments) - Should a counterparty fail to meet its contractual obligations to the council, particularly as a result of the counterparty's diminished creditworthiness, this could have a detrimental effect on the authority's capital or revenue resources. This impact could come from a loss of principal and/or interest on an investment, such as from a counterparty defaulting or a bank being 'bailed-in', with the latter likely to mean the authority loses a proportion of its investment (a	That any potential counterparty is subjected to suitable due diligence to ascertain appropriateness for investment and investment criteria.

‘haircut’) in order to recapitalise the failing bank. For investments with other local authorities, while a loss of principal is considered unlikely, there is likely to be a delay in the council getting its money back. Both actual and expected credit losses would negatively impact the council as they would need to immediately be charged to revenue.	
Council issues S114 notice - Issuing a section 114 notice will likely gain the council a poor reputation, particularly depending on the reason for issuing the section 114 notice, or at the very least be perceived as higher risk by other lenders. Other counterparties and local authorities would be less likely to lend to the authority, increasing the difficulty of securing funding (made even worse if the council was also unable to access PWLB funding having fallen foul of the lending arrangements), with the costs of any borrowing being significantly higher, again putting pressure on the council’s finances.	Should the Council encounter difficulties in obtaining borrowing following a S114 notice, the Council has access to borrow from the PWLB as a lender of last resort. Any such borrowing would be subject to higher rates of interest.

7.2 The risks mentioned above are inherent in Treasury activity, therefore they are persistent, continuous risks. Appendix A of this report states that “the Council will create and maintain, as the cornerstones for effective treasury management: -

- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
- Suitable Treasury Management Practices, setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.”

8.0 ENGAGEMENT/CONSULTATION

8.1 This strategy report has been written in consultation with the Council’s external treasury management advisors, Arlingclose Ltd, in accordance with best practice. There are no implications for partner organisations arising out of this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 As part of future investment strategy, consideration will be given to potential opportunities to invest in environmentally focussed instruments or organisations. ‘Ethical, Social and Governance’ (ESG) investment criteria will be considered and, where viable in adherence to the policies laid out in this strategy, will only be entered into following satisfactory assessment of the instrument and/or organisation.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The Community Wealth Building Strategy is a key part of how the Council will tackle economic, social and health inequalities across the borough and make a major contribution to improving the economic, social and health outcomes on the Wirral. As mentioned within 10.1 of this report, ‘ESG’ criteria will be considered in investment decision. The Altana Social Impact Partnership “offers local authorities an opportunity to improve Public Sector cash flows and quality of life for their constituents. Cash flow is improved by pooling capital and knowledge while creating and investing in long lasting social impact UK projects.”

11.2 Also contained within this strategy are the Council considerations in respect to borrowing. This borrowing requirement would occur as a result of financing the ongoing capital programme. Schemes contained within the Capital Programme include several regeneration projects that look to improve the economic outlook for the borough, including job creation, training facilities and enhanced transport links. The Community Wealth Building implications are reported for each scheme separately to the relevant policy and service committee.

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APPENDICES

A. Treasury Management Policy Statement
B. Existing Investment and Debt Portfolio Position
C. Liability Benchmark – Graphical Format
D. Approved Investment Counterparties
E. Treasury Management Indicators 2024/25
F. Environmental, Social and Governance Considerations
G. CIPFA Code – Related Matters
H. Authorised Signatories
I. Arlingclose Economic & Interest Rate Forecast – December 2023

BACKGROUND PAPERS

CIPFA Code of Practice on Treasury Management

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with 1.2(a)(i) of the Policy and Resources Committee Terms of Reference:

formulate, co-ordinate and implement corporate policies and strategies and the Medium-Term Financial Plan (budget), which includes responsibility for any decision:
(i) that relates to such matters to the extent that they are not reserved to full Council.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Treasury Management Strategy Statement 2021-22	**P&R - 17 Feb 2021**
Treasury Management Annual Report 2020-21	**P&R - 28 July 2021**
Treasury Management Mid-Year Report 2021-22	**P&R - 10 Nov 2021**
Treasury Management Strategy Statement 2022-23	**P&R - 15 Feb 2022**
Treasury Management Annual Report 2021-22	**P&R - 13 Jul 2022**
Treasury Management Mid-Year Report 2022-23	**P&R - 9 Nov 2022**
Treasury Management Strategy Statement 2023-24	**P&R – 15 Feb 2023**
Treasury Management Annual Report 2022-23	**P&R – 14 Jun 2023**
Treasury Management Mid-Year Report 2023-24	**P&R – 8 Nov 2023**

APPENDIX A

TREASURY MANAGEMENT POLICY STATEMENT

Introduction and background

A1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

A2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management: -

- A Treasury Management Policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices, setting out the way the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

A3 The Council (i.e., Full 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 Treasury Management Practices.

A4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Committee, and for the execution and administration of treasury management decisions to the Section 151 Officer who will act in accordance with the Council's Strategy Statement, Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

Policies and objectives of treasury management activities

A5 The Council defines its treasury management activities as:

"The management of the Council'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."

A6 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

A7 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

A8 The Council's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

A9 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

APPENDIX B

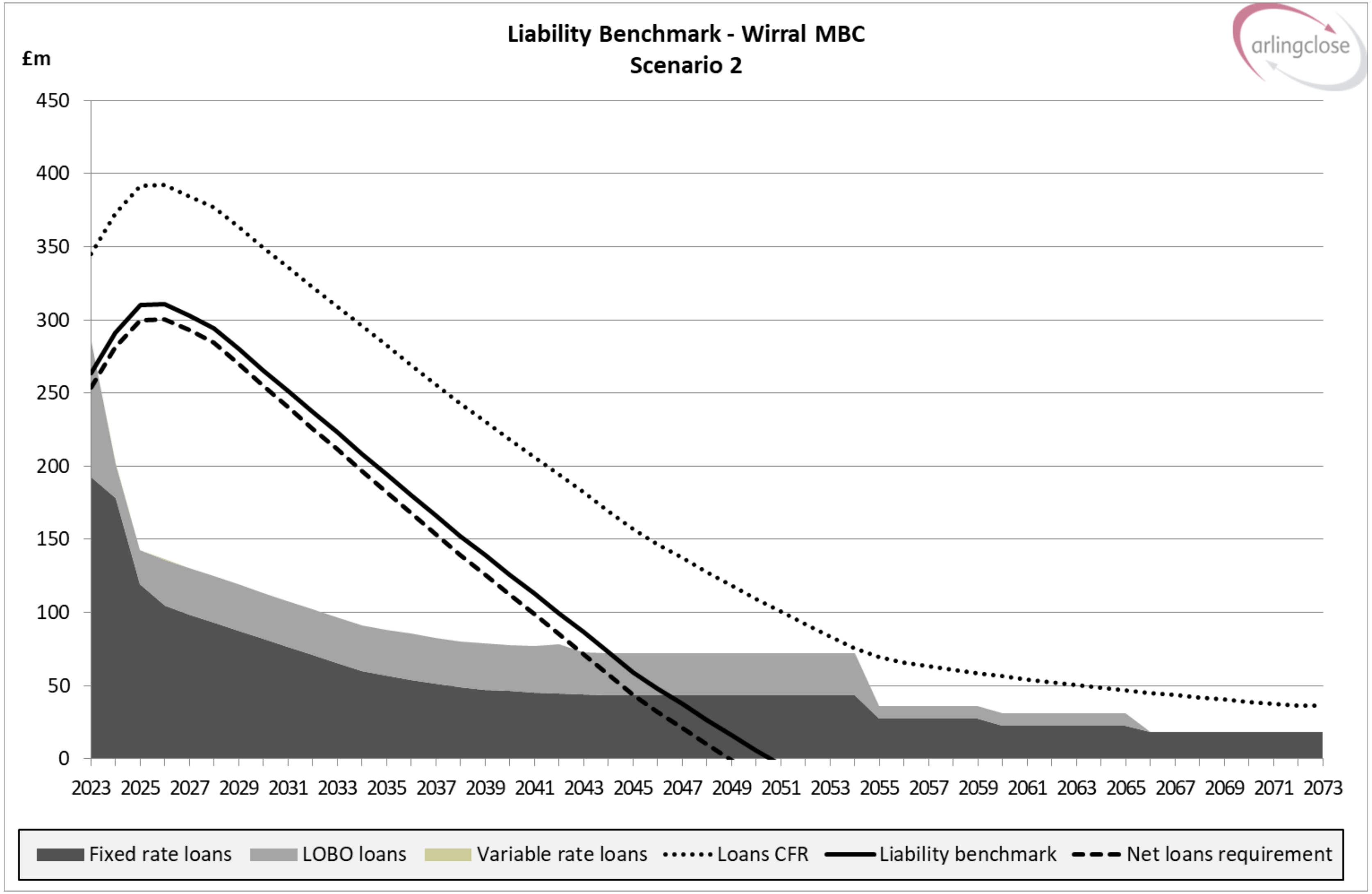
EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	Current Portfolio as at 31 Dec 23 £m
External Borrowing (Long & Short Term)	
Public Works Loan Board	76.7
Local Authorities Temporary Loans	91.0
LOBO Loans	51.0
Other Loans	40.7
Total External Borrowing *	259.4
Other Liabilities	
Private Finance Initiative	29.6
Total Other Long-Term Liabilities	29.6
Total External Debt	**289.0**
Treasury Investments:	
Community Interest Companies	1.0
Money Market Funds	23.8
Strategic Pooled Funds:	
Royal London	1.0
Altana Social Investment Partnership	10.0
Payden Sterling Reserve	4.0
Columbia Threadneedle	1.0
CCLA Property Fund	1.0
Total Investments	41.8
Net Borrowing Position	247.2

B1 *£13 million of the £259.4 million of external borrowing relates to transferred debt from the former Merseyside County Council. Wirral administers this debt on behalf of the following other Authorities who make annual repayments towards this liability:

- Knowsley Council
- Liverpool City Council
- Sefton Council
- St Helens Council
- Merseyside Fire and Rescue Service
- Merseyside Police
- Merseyside Recycling & Waste Council
- Merseytravel

APPENDIX C
LIABILITY BENCHMARK – GRAPHICAL FORMAT



Supporting Notes:

- The concept is that the chart allows a comparison of the current level of borrowing against the need to borrow, looking at both the amount (on the vertical axis) and the term (on the horizontal axis).

- Where level of actual loans (the grey shaded areas on the chart) exceed the Liability Benchmark (the solid middle line of the three lines), the Council can make long-term investments for cash flow management or repay loans early; where the Liability Benchmark exceeds loans, the Council can take long-term borrowing or sell investments.

- The 'Loans CFR' (the top, dotted line of the three lines on the chart) can be described as the maximum permitted level of borrowing. Borrowing up to the 'Loans CFR' will usually mean high levels of investments, exposing the Council to credit, price and interest rate risks.

- The 'Net Loans Requirement' (the bottom, dashed line of the three lines on the chart) is the minimum possible level of borrowing, at which investments would be zero. This would expose the Council to the liquidity risk of being unable to make payments when due.

- The Liability Benchmark is then the level between the two, where an appropriate balance of risks can be struck between these two extremes.

- There is no requirement to borrow exactly to the Liability Benchmark, but a decision to borrow more or less, or longer or shorter, than the Liability Benchmark implies a deliberate decision to accept additional risk. This may be entirely appropriate if it is accompanied by a reduction in cost, for example through short-term borrowing at lower margins.

- For the Council what this chart estimates is that, if capital plans proceed as forecast and following which there in no new capital borrowing added to the programme, then there will be a need for additional borrowing for a period of about fifteen years of up to a peak of approximately £150 million. This requirement can be seen on the chart as the white segment that is above the current level of shaded debt and the below the solid middle line of the Liability Benchmark.

- The profile of this chart will change over time if additional capital borrowing is added to the existing programme, or new external debt is entered into.

APPENDIX D

APPROVED INVESTMENT COUNTERPARTIES

Table 1: Limits for New Investment

Sector	**Time limit**	**Counterparty limit**	**Sector limit for total investments**
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£10m	Unlimited
Secured investments *	3 years	£10m	£30m
Banks (unsecured) *	13 months	£5m	£15m
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	3 years	£5m	£10m
Money market funds *	n/a	£10m	£100m
Strategic pooled funds	n/a	£10m	£20m
Other investments *	3 years	£5m	£15m

*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.

Table 2: Additional investment limits

Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Financial Institutions not domiciled in the UK	£10m per country

D1 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.

D2 Local Council: Inter-Council investment and borrowing is a major source of local government financing with over £9 billion of active short term inter-Council loans reported nationally at 30th September 2023. The Council has not invested any funds with other local authorities since 2017 and no amounts remain outstanding. The treasury management team have utilised other options such as money market funds to place short term funds which have paid slightly higher rates. The inter- Council interest rate is not set by the individual local Council but by the market on the day and therefore no local Council has any influence over what rate it can charge. As with all lending, this purpose is for cash flow purposes and the funds cannot be used for day-to-day expenditure. The benefit of investing cashflows is that any interest the Council does make goes into the general budget that does support day to day expenditure.

D3 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.

D4 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.

D5 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.

D6 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 Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

D7 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 Council 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 Council's investment objectives will be monitored regularly.

D8 Real estate investment trusts: 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, real estate investment trusts 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.

D9 Other investments: The Council may also invest cash with other organisations, for example by making loans to small businesses. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent. 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.

APPENDIX E

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2024/2025

E1 Background

The Council measures and manages its exposures to treasury management risks using the following indicators.

Treasury Management Indicators

E2 Security

The Council 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

E3 Liquidity

The Council 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	**£10m**

E4 Maturity Structure of Borrowing

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

Maturity Structure of Borrowing	Lower Limit 2024/25 %	Upper Limit 2024/25 %
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.

E5 Long-term treasury management investments

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. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£40m	£30m	£30m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

APPENDIX F

Environmental, Social and Governance (ESG) Considerations

F1 Outside of financial risks, it is increasingly evident that there are also key non-financial risks with financial consequences over the longer-term for the Council. In particular:

F2 Environmental risks: Climate change has continued to become an increasingly evident problem, with extreme weather events rising and temperatures increasingly on a global basis. Coupled with the depletion of natural resources and the negative feedback loop created by hydrocarbon pollution, there are growing concerns about the environment and the potential financial impact on societies, economies and businesses.

F3 Social risks: Inequality, diversity and inclusion are becoming more important considerations. The unequal recovery since the last financial crisis coupled with financial pressures on public sector balance sheets have led to a growing divergence of outcomes and concerns about parts of society being systematically left behind. There is also increased scrutiny from a range of stakeholders. For the Council, there is also a vested interest in protecting and minimising the most vulnerable in society.

F4 Governance risks: Governance covers the rights and responsibilities of the senior management of companies, institutions and counterparties, in particular its structures, corporate values and accountability processes. The proper treatment of employees, ensuring an ethical approach to supply chains, paying living wages, how counterparties ensure that management is acting in the best interests of all stakeholders – these are all clear areas of focus that if poorly managed, can lead to reputational and financial consequences for the Council's portfolio in the long-term.

F5 The Council's objective is to recognise all these risks, to mitigate them where possible and thereby improve the security of its portfolios and balance sheet in the long-term.

F6 Within these risks, the Council has identified climate change as a long-term, material and systemic financial risk with the potential to significantly impact the treasury portfolio, the capital strategy and the Council's financial resilience over time. The Council has declared a Climate Emergency already in response to this, and further, in respect of its investments, will seek to:

- Minimise exposure to counterparties and investments heavily impacted by climate change risk.

- Increase exposure to sectors, counterparties and investments, such as renewables, whose activities aid the transition to a lower carbon world and economy.

- Contribute meaningfully to an improved economically sustainable future locally and nationally, without sacrificing security.

F7 The Council will incorporate ESG issues into its analysis and decision-making processes when considering the treasury portfolio and capital investments. The Council will seek to use data and analysis where available to determine the type and materiality of relevant issues for counterparties.

ESG Risk Appetite

F8 It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, it is unavoidable for some measure of risk to exist.

F9 Therefore, risks need to be considered both in terms of potential threats to the Council and positive opportunities.

F10 The risk appetite will be considered annually and monitored on an ongoing basis by senior management and external advisors.

F11 In general, the Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Of relevance to ESG, the Council is exposed to a range of risks across its balance sheet and portfolios:

- Environmental risks related to the environmental impact of the Council's strategy and investments.

- Social risks related to the social impact of the Council's strategy and investments.

- Governance risks related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances.

F12 Within these, the Council's appetite is as follows:

Risk	Appetite
Environmental	No appetite for environmentally negative risks. Moderate to high appetite for projects and investments that reduce environmental risks and promote sustainability. Always subject to full due diligence and subsequent monitoring of risks and key appropriate metrics.
Social	Low appetite for social risks, especially in the local region. Moderate appetite for projects and investments that reduce social risk. Always subject to full due diligence and subsequent monitoring of risks and key appropriate metrics.
Governance	No appetite for investments and initiatives that are not accompanied by

	careful due diligence and an assessment of the transaction versus the Council's resources, funding needs, cashflow requirements, ESG risk preferences and broader goals. All subject to ongoing monitoring of risks and key relevant metrics to manage the Council's exposure and respond to any emerging issues. Depth and frequency of monitoring should be proportional to the complexity and capital at risk for the Council.

APPENDIX G

CIPFA CODE – RELATED MATTERS

The CIPFA Code requires the Council to include the following in its Treasury Management Strategy**.**

Financial Derivatives

G1 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.

G2 The Council 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 Council 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.

G3 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.

G4 In line with the CIPFA Code, the Council will seek external advice and will where necessary consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive

G5 The Council has chosen to be assigned the 'professional client' status 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 Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

APPENDIX H

AUTHORISED SIGNATORIES

H1 The following officers are authorised to make payments, either via the Council's online banking system or by signing cheques, and issue other instructions relating to Treasury Management transactions on behalf of Wirral Borough Council:

Director of Finance – Matthew Bennett

Assistant Director of Finance & Investment – Daniel Kirwan

Head of Finance – Diane Grisdale

Head of Finance – Carla Wright

Head of Finance – Jessica Whitley

Senior Finance Manager – Gary Mitchell

Senior Finance Manager – Mark Goulding

Senior Finance Manager – Christopher Kelly

This list can be amended at the discretion of the Director of Finance, should the need arise due to operational requirements.

APPENDIX I

Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.

- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.

- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.

- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.

- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.

- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.

- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.

- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.

- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

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WIRRAL

POLICY AND RESOURCES COMMITTEE

Tuesday, 13 February 2024

REPORT TITLE:	**NON – TREASURY INVESTMENT STRATEGY 2024/25**
REPORT OF:	**DIRECTOR OF FINANCE (S151 OFFICER)**

REPORT SUMMARY

In February 2018, the former Ministry for Housing, Communities and Local Government (MHCLG), (now Department for Levelling Up, Housing and Communities (DLUHC)) published updated 'Guidance on Local Government Investments'. The previous edition covered only Treasury Management investments. In recent years local authorities have had an increasing focus on commercial activities including but not exclusive to property. Such activity has the potential to bring both increased returns and increased positive and negative risk. The revised Guidance on Local Authority Investments requires that a separate Investment Strategy focusing on non-treasury investments is produced and approved annually by Council.

This report fulfils the requirement of the DLUHC to produce an investment strategy that covers non-treasury activities.

The Investment Strategy indirectly assists the Council in achievement of the Council Plan: Wirral Working Together 2023-2027, as it contributes to the available funding of the Council to support the achievement of the plan priorities.

This matter affects all Wards within the Borough.

The decisions in this report are key decisions.

RECOMMENDATIONS

The Policy and Resources Committee is requested to recommend to Council the approval of the Investment Strategy for 2024/2025 which includes potential investment in the following activity areas:

1. Commercial Property
2. Service Investments: Loans;
3. Service Investment: Shares (non-currently held); and
4. Loan Commitments and Financial Guarantees

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATIONS

1.1 To fulfil the requirement of the DLUHC to produce an investment strategy that covers non-treasury activities.

2.0 OTHER OPTIONS CONSIDERED

2.1 This report fulfils the requirement of the DLUHC to produce an investment strategy that covers non-treasury activities. Should the Council not produce a strategy this would conflict against DLUHC guidance. The guidance on investments is issued under section 15(1) of the 2003 Local Government Act and authorities are therefore required to have regard to it. An annual strategy is standard practice and should it become appropriate to amend any key elements of this strategy during the period covered, a revised report will be produced.

3.0 BACKGROUND INFORMATION

3.1 The Council invests its money for three broad purposes:

- there is 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 (service investments); and
- to earn investment income (known as commercial investments where this is the main purpose).

3.2 This non-treasury 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.

3.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, a more recent piece of statutory guidance.

3.4 A separate report covering the Treasury Management Strategy is listed on the agenda for this Committee that fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) and the DLUHC guidance.

Treasury Management Investments

3.5 The Council 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 (Precepts) on behalf of other public bodies (Police, Fire, Liverpool City Region Combined Authority) 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 CIPFA. The daily balance of treasury management investments is expected to fluctuate between £20m and £50m during the 2024/25 financial year.

3.6 The 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." (CIPFA Treasury Management in Public Services Code of Practice)

3.7 Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

3.8 Further details: Full details of the Council's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the Treasury Management Strategy.

Service Investments: Loans

3.9 Contribution: The Council lends money to its subsidiaries e.g., Edsential Community Interest Company (by way of a credit facility), and local businesses to support local public services and stimulate local economic growth. All loan arrangements the Council provides to subsidiaries or local businesses include an interest rate, therefore generating a return on investment.

3.10 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 where appropriate, collateral sought to offset risk. To further limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, 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.

Category of borrower	31.03.2024 Estimated			2024/25
	Balance Owing £000	Loss allowance £000	Estimated Net figure in accounts £000	Approved Limit £000
Subsidiaries	982	225	757	10,000
Local businesses	1,239	442	797	10,000

TOTAL	**2,221**	**667**	**1,554**	**20,000**

(N.B. - the figures in Table 1 can change due to timing differences between the date of the report and the Statement of Accounts).

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

3.12 Risk assessment: The Council assesses the risk of loss before entering and whilst holding service loans. If in the future the Council 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 the procurement team;
- Analysis of business plans;
- Appropriate interest rate calculation, including potential subsidy control implications; and
- The availability of any securities/collateral.

Service Investments: Shares

3.13 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.

3.14 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.

3.15 Risk assessment**:** The Council will assess the risk of loss before entering and whilst holding shares by the approach referred to in paragraph 3.12 of this report.

3.16 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.

3.17 Non-specified Investments: Shares are the only investment type that the Council 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 Council's upper limits on non-specified investments. The Council 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

3.18 Contribution: DLUHC 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 generated spent on local public services. Although there is increased national focus on property, councils have a long history of owning investment properties. The Council's portfolio includes industrial estates, commercial and leisure properties. Properties currently held for investment purposes have been detailed below.

3.19 The estimated values in the table below, specifically Europa Boulevard and Vue Cinema, represent the latest valuations as per the Statement of Accounts (as at 31.03.2023), and reflect the specific circumstances at that time, directly attributable to pressures arising due to the economic climate. These valuations are to be reviewed again this year and the prevailing market conditions factored in.

Table 2: Property held for investment purposes

Property	Actual	31.3.2024 Estimate	
	Purchase cost £000	**Gains or (losses) £000**	**Estimated Value in accounts £000**
Europa Boulevard	8,400	(4,270)	4,130
Vue Cinema	6,800	(1,700)	5,100
The Pyramids and The Grange Shopping Centre	10,590	0	10,590
Other Investment Properties	9,286	1,042	10,328
TOTAL	**35,076**	**(4,928)**	**30,148**

3.20 Whilst these properties are held as investment properties in the Council's asset register, the properties were not acquired specifically for income generation. Most of these investment assets are owned for historic reasons, but subsequent acquisitions (Europa Boulevard and Vue Cinema) are linked to regeneration opportunities. In respect of The Pyramids and The Grange Shopping Centres, a revaluation will be undertaken as part of the 2023-24 Statement of Accounts process.

3.21 The Asset Strategy 2022-2027 was presented and approved by Policy and Resources Committee on 9th November 2022. The strategy details six key priority areas for managing Council assets and sets out how the council will make the best use of its buildings and land in the future. Future property purchase or disposals will consider this strategy as part of the evaluation process.

3.22 Security: In accordance with government guidance (former MHCLG Guidance on Local Government Investments 2018), the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

3.23 Where value in the accounts is at or above purchase cost, an annual fair value assessment of the Council's investment property portfolio is undertaken, and the underlying assets provide security for capital investment. Should the 2023/24 year-end accounts preparation and audit process value these properties significantly below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

3.25 Risk assessment: The Council assesses the risk of loss before entering and whilst holding property investments as outlined in 3.12 of this report.

3.26 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

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

3.28 The Council has committed itself to make available a credit facility of £2 million to Edsential Community Interest Co. To date £0.125 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.

3.29 In addition to the credit facility of £2m, a request for financial assistance was made to the two shareholders of Edsential – Wirral Council, and Cheshire West and Chester Council, to assist Edsential in managing their financial pressures because of the COVID-19 pandemic. Both shareholders agreed to provide an additional £857k to Edsential (£1.714m total). Council agreed to provide the funding at a meeting of Shareholder Board in October 2021. It should be noted that this loan is separate from the credit facility, and as such, has individual terms and conditions.

3.30 In October 2021, a report was presented to Children, Young People and Education Committee which recommended the approval of the issue of a commercial loan facility to We Are Juno CIC in the sum of up to £1m, in order to assist with the construction and operation of four children's centres. During 2022, the loan agreement was finalised. To date, £705k of the £1m facility has been utilised.

Proportionality

3.31 The table below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council 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

	2023/24 Forecast £000	**2024/25 Budget £000**	**2025/26 Budget £000**	**2026/27 Budget £000**
Gross service expenditure	676,208	690,024	707,750	732,930
Investment income	2,000	2,000	3,000	3,000
Proportion	0.30%	0.29%	0.42%	0.41%

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

Borrowing in Advance of Need

3.32 Government guidance (former MHCLG Guidance on Local Government Investments 2018) is that local authorities must not borrow more than, or in advance of their needs, solely to profit from the investment of the extra sums borrowed. The Council 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 Council 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. At present, any borrowing arrangements in place have been made solely to meet cashflow requirements, and not to profit from the investment of the extra sums borrowed. Furthermore, all borrowing is undertaken once an analysis of approved lending counterparties has taken place. These risks will be managed as part of the Council's overall management of its treasury risks, in addition to the consideration of the recommendations contained within the CIPFA/DLUHC Local Government Finance Review (November 2021).

Capacity, Skills and Culture

3.33 Elected members and statutory officers: The Council has a dedicated 'Policy & Resources Committee' to review key financial matters. The Committee meets regularly with officer support from the Director of Finance to review and approve reports; raise questions; and receive briefings on latest developments. Financial training has been provided to all Members to aid decision making. Regular reporting and discussion of financial matters occurs with frequent meetings of the Policy and Resources Finance Sub-Committee via weekly workshops and with the Strategic Leadership Team. Formal reporting is provided to Council via the Policy and Resources Committee and to the Policy and Services committees. Reports undergo extensive review to ensure content is detailed and appropriate for the circumstance, and relevant implications have been identified. In response to the recommendations detailed in the External Assurance Reviews commissioned by DLUHC, the Chief Executive requested the Independent Panel support the Council in delivery of the Implementation Plan.

3.34 Decisions which have a financial impact must be approved by the Director of Finance (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 that officers undergo continuous professional development and are subject to compliance with the regulatory frameworks laid down by the professional institute. Officers are supported by properly regulated advisors and have access to the latest guidance and best practice. Strategies and policies are approved to provide a framework for investment decisions to be made within.

3.35 Commercial agreements: Commercial agreements require initial approval from the Director of Finance. Governance arrangements include oversight from the Investment and Change Board (ICB), chaired by the Director of Finance. 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.

3.36 Corporate governance: The Director of Finance 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 outside 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

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

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

Table 4: Total investment exposure

Total investment exposure	**31.03.2023 Actual £000**	**31.03.2024 Forecast £000**	**31.03.2025 Forecast £000**
Treasury management investments	63,368	50,000	50,000
Service investments: Loans	2,124	2,221	2,221
Commercial investments:	18,915	30,148	30,148

Total investment exposure	31.03.2023 Actual £000	31.03.2024 Forecast £000	31.03.2025 Forecast £000
Property			
TOTAL INVESTMENTS	**84,407**	**82,369**	**82,369**
Commitments to lend	2,045	2,170	2,170
Arrangements issued on loans	9,793	0*	5,780*
TOTAL EXPOSURE	**96,245**	**84,539**	**90,319**

* Arrangements issued on loans include a potential one-off payment of £4.9m which expires after December 2024; and one arrangement which could be paid between January 2024 and November 2026. These do not appear likely to be requested prior to 31st March 2024, and therefore have been included as an estimated payment in 2025.

3.39 How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council 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 Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 5: Investments funded by borrowing

Investments funded by borrowing	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Service investments: Loans	2,124	2,221	2,221
Commercial investments: Property	18,915	30,148	30,148
TOTAL FUNDED BY BORROWING	**21,039**	**32,369**	**32,369**

3.40 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)

Investments net rate of return	2022/23 Actual %	2023/24 Forecast %	2024/25 Forecast %
Treasury management investments	1.98	5.37	5.37
Service investments: Loans	4.78	5.55	5.66
Commercial investments: Property	7.10	3.17	3.17
ALL INVESTMENTS	**3.57**	**4.59**	**4.59**

4.0 FINANCIAL IMPLICATIONS

4.1 Approval and implementation of this strategy will limit financial risks, while helping to minimise financing costs and maximise investment returns.

5.0 LEGAL IMPLICATIONS

5.1 The Department for Levelling Up, Housing and Communities (DLUHC) guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”. The Council has adopted the requirement of DLUHC to produce an investment strategy that covers non-treasury activities. This requires the annual production of Investment Indicators and an Investment Strategy Statement.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising out of this report.

7.0 RELEVANT RISKS

7.1 The Council is responsible for investment decisions and activity and none of these decisions are without risk. The successful identification, monitoring and control of risk are important, and the main risks and mitigations are:

Risk	**Mitigation**
Fluctuations in interest rate levels - Fluctuations in interest rates will impact the authority’s finances. While a rise in interest rates would be beneficial for short-term investments which could be reinvested at higher rates, it would be a cost for variable rate borrowing, existing borrowing that needs to be refinanced, and any new borrowing. Higher interest rates can also improve debt rescheduling opportunities by increasing discounts/lowering premiums. Conversely, a fall in interest rates is beneficial for variable rate debt, existing borrowing which needs to be refinanced and new borrowing, but not for variable rate investments which would generate lower returns. Increased costs due to changes in interest rates would negatively impact the revenue position of the council.	Borrowing and investment profiles are balanced both in terms of maturity (utilising short- and long-term instruments) and in terms of the nature of the interest rate of the portfolio (fixed rate and variable interest rate products).
Exposure to inflation - Where the Authority’s returns/cash flows from investments are lower than the prevailing rate of inflation, those	Wherever possible, investments are entered into at inflation equalling levels of interest. This depends entirely on the nature and purpose of

Risk	Mitigation
investments/cash flows will be worth less in the future because of the erosion in their purchasing power due to inflation. Such a reduction in value would increase pressure on the council's revenue budget.	the proposed investment.
Legal and Regulatory Risk - Failure to comply with any legal requirements or regulations could lead to the council gaining a poor reputation, which in severe cases could have wider implications than treasury management. This could lead to cause increased scrutiny from central government, and the possibility of the installation of commissioners to oversee the council's functioning. Not adhering to the PWLB lending arrangements could mean being locked out of accessing funding from them as lender of last resort. Also, counterparties may choose not to deal with the authority, limiting the council's access to investment opportunities and/or sources of borrowing, and as a minimum increasing borrowing costs due to the higher perceived risk of dealing with the council.	Appropriate legal advice is sought on new opportunities to ensure adherence to relevant legislation and regulation.
Credit and Counterparty Risk (Security of investments) - Should a counterparty fail to meet its contractual obligations to the council, particularly as a result of the counterparty's diminished creditworthiness, this could have a detrimental effect on the authority's capital or revenue resources. This impact could come from a loss of principal and/or interest on an investment, such as from a counterparty defaulting or a bank being 'bailed-in', with the latter likely to mean the authority loses a proportion of its investment (a 'haircut') in order to recapitalise the failing bank. For investments with other local authorities, while a loss of	Any potential counterparty is subjected to suitable due diligence to ascertain appropriateness for investment and investment criteria.

Risk	Mitigation
principal is considered unlikely, there is likely to be a delay in the council getting its money back. Both actual and expected credit losses would negatively impact the council as they would need to immediately be charged to revenue.	

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this strategy report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 As part of future investment strategy, consideration will be given to potential opportunities to invest in environmentally focussed instruments or organisations. 'Ethical, Social and Governance' (ESG) investment criteria will be considered and, where viable in adherence to the policies laid out in this strategy, will only be entered into following satisfactory assessment of the instrument and/or organisation.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising directly from this report.

REPORT AUTHOR: **Christopher Crawford**
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BACKGROUND PAPERS

International Financial Reporting Standards – IFRS9 Financial Instruments
Asset Management Strategy 2022-2027
Department for Levelling Up, Housing and Communities Investment Guidance

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with Part 3 Section B of its Terms of Reference:

<u>Policy and Resources Committee</u>
(b) provide a co-ordinating role across all other service committees and retain a 'whole council' view of performance, budget monitoring and risk management, which includes responsibility for a decision:
(v) regarding companies or limited liability partnerships including acquisition and disposals,

(vi) which is deemed significant in terms of impact on the Council's revenue or capital (to be determined by the Head of Paid Service and/or Section 151 Officer in consultation with the Leader).

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
Investment Strategy Statement 2021-22	17^{th} February 2021
Investment Strategy Statement 2022-23	15^{th} February 2022
Investment Strategy Statement 2023-24	15^{th} February 2023

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WIRRAL

POLICY AND RESOURCES COMMITTEE

Tuesday, 13 February 2024

REPORT TITLE:	**2023/24 BUDGET MONITORING FOR QUARTER THREE (THE PERIOD TO 31 DECEMBER 2023)**
REPORT OF:	**DIRECTOR OF FINANCE**

REPORT SUMMARY

This report sets out the financial monitoring information for the Council as at Quarter 3 (31 December) of 2023/24. The report provides Members with an overview of budget performance, including progress on the delivery of the 2023/24 saving programme and a summary of reserves and balances, to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets.

At the end of Quarter 3, there is a forecast adverse position of £7.97m on Directorate spend which can be largely offset by utilising the contingency budget and expected savings from reduced energy costs. This position is based on activity to date, projected trends in income and expenditure and changes to Council funding.

This is not a key decision and affects all wards.

The report contributes to the Wirral Plan 2023-2027 in supporting the organisation in meeting all Council priorities.

RECOMMENDATIONS

The Policy and Resources committee is recommended to:

1. Note the Directorate forecast adverse position of £7.97m presented at Quarter 3, largely offset by utilising £5.0m of contingency budgets and £2.2m of expected savings from reduced energy costs.
2. Note the progress on delivery of the 2023/24 savings programme at Quarter 3.
3. Note the forecast level of reserves and balances at Quarter 3.
4. Note budget virements detailed within paragraph 3.33 relating to distribution of centrally held pay and business rate budgets.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Regular monitoring and reporting of the revenue budgets and savings achievements enables decisions to be taken in a timely manner, which may produce revenue benefits and will improve financial control of Wirral Council.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Policy & Resources Committee has previously determined the budget monitoring process and this report details the agreed course of action.

2.2 In striving to manage budgets, available options have been evaluated to maintain a balance between service delivery and a balanced budget.

3.0 BACKGROUND INFORMATION

3.1 At the meeting on 27 February 2023, the Council agreed a net revenue budget for 2023/2024 of £366.6m to be met by government grants, council tax, and business rates. In quarter 1, a favourable £2.000m variation against the funding relating to an adjustment of Business Rates Section 31 grants, increased the revenue budget to £368.6m. This report sets out the updated revenue financial position at Quarter 3.

Economic Context

3.2 As was widely expected, there was a substantial decline in UK headline inflation in Quarter 3, falling to 4% in December from 6.7% at the end of quarter 2, largely due to reductions in utilities and food prices. However, while inflation is headed in the right direction, it remains well above the Bank of England MPC’s 2% target and increases in living and debt-financing costs continue to impact upon households.

3.3 The Bank Rate remains at 5.25% and current market pricing imply that market participants are not expecting further interest rate rises. However, The Bank of England has emphasised the expectation for rates to remain at this level for an extended period, in order to address continuing inflationary pressures.

3.4 Globally, potential sources of further inflationary pressures remain. In particular, recent events in the Middle East have increased uncertainty around future oil prices. More locally in the UK, Nottingham City Council became the latest local authority to issue a Section 114 notice. The Chief Finance Officer detailed the reasons, including increased demand for services, failure to realise transformation savings, rising costs, higher-than-budgeted national pay agreements, income shortfalls, and capital recharge pressures.

3.5 The overall risk environment remains particularly challenging, reflecting subdued economic activity, further risks to the outlook for growth and inflation and increased geopolitical tensions, all continuing to place significant pressures on finances and restricting the ability to forecast and plan, with confidence, for the future.

Quarter 3 Forecast Revenue Outturn Position

3.6 Table 1 presents the forecast outturn as a net position, i.e. expenditure minus income. Favourable variances (underspends) are shown as negative values and adverse variances (overspends) are shown as a positive value.

3.7 At the end of Quarter 3, against the Council's revised net revenue budget of £368.600m, there is a Directorate forecast adverse variance of £7.970m, which can be largely offset by utilising the £5m contingency budget and £2.2m of savings from reduced energy costs.

TABLE 1: 2023/24 REVENUE BUDGET & FORECAST OUTTURN

	Budget	**Forecast Outturn**	**Variance** (+ Adv / - Fav)	
	£000	£000	£000	**%**
Adult Care & Health	131,257	131,692	435	0%
Chief Executive Office	0	0	0	0%
Children, Families & Education	88,344	88,708	364	0%
Finance	7,861	9,911	2,050	26%
Law & Corporate Services	7,827	7,956	129	2%
Neighbourhoods Services	39,950	44,216	4,266	11%
Regeneration and Place	14,779	15,479	700	5%
Resources	17,733	17,759	26	0%
Net Directorate Expenditure	**307,751**	**315,721**	**7,970**	**3%**
Levies	40,939	40,939	0	0%
Strategic Holding Account and Corporate Items	19,910	12,710	-7,200	-36%
Net Council Expenditure	**368,600**	**369,370**	**770**	**0%**

Notes:
* Forecast Outturn figures assume reserves movements shown in Table 3.

Significant aspects of revenue variances by directorate

Adult Care & Health forecast adverse variance of £0.435m.

3.8 The forecast shows no variance from quarter two and continues to represent a significant improvement from quarter one following allocation of £2.7m funding from the Market Sustainability and Improvement Fund (MSIF) Workforce Fund. Funding was announced by the Department of Health and Social Care (DHSC) in July 2023. The primary purpose of the fund is to build on the existing Market Sustainability and Improvement Fund to support local authorities to make tangible improvements to adult social care services in their area. The funding will support the ongoing pressures within social care from hospital discharges.

3.9 The numbers of clients supported in Wirral continues to increase, to date an increase of 5% across care services from the start of the financial year. Domiciliary care pick up continues to improve with activity reflecting an increase of 8% in commissioned packages since quarter one, however placements within residential and nursing settings are still increasing with activity showing 2% increase during the first 9 months of the financial year. With additional hours and top-up payments being made to meet the complex needs of people being discharged from hospital as early as possible, the cost of these placements continues to put pressure on the budget.

3.10 The forecast assumes the use of £0.500m from the Social Care earmarked reserve and full achievement of the £5.935m saving target, any slippage against this saving will further impact on the adverse forecast.

Children, Families & Education forecast adverse variance of £0.364m

3.11 There has been no significant movement in overall outturn position since the last report for quarter 2. The Q3 monitoring position includes a £0.67m contribution from the Public Health Grant towards the non-recurrent costs for Early Years and Youth activities, including Family Toolbox. The number of Children Looked After (CLA) has slightly decreased to 772 in December 23 however, there are still significant pressures from the CLA placement costs. The increasing demand in the special education needs and disabilities (SEND) area, such as transport and Education Psychological services, add to the pressures. These pressures are mitigated by underspends in other areas together with the one-off use of £1m of the social care reserve and the additional budget of £0.8m approved at Q1.

Finance forecast adverse variance of £2.050m

3.12 The adverse variance within the Finance Directorate derives from two main factors.

- In 2022-23 the Council received an energy grant (£1.186m) for residents not on mains gas or electricity i.e., oil or alternative fuels and in 2022/23 this was reported in the revenue outturn. A proportion of the grant was utilised and the remaining grant is now due to be repaid back to the Government department. This will have an adverse impact on the revenue result within the Finance Directorate (Revenue and Benefits).
- Discretionary Council Tax discounts: The council awards a number of Local Discounts for Council Tax under its powers under Section 13A1(c) of the Local Government Finance Act 1992. From a financial impact perspective these discounts of consisted of two main categories, firstly a discount for all Care Levers under the age of 25 and secondly a discount to the women's refuge. The cost of these discounts has been incorrectly allocated to the collection fund for a number of years, The cost of these discounts should be met from the council's general fund. The impact of this error means that the cost of these local discounts has been paid for in proportion by all council tax preceptors. Therefore, the council have retrospectively corrected this error at a cost of £0.875m. The future year impact of this amendment has been included in the MTFP.

Law & Governance forecast adverse variance of £0.129m

3.13 £0.070m of the adverse variance is within Coroners were increased costs associated with the level of more complex cases involving post-mortem, toxicology and witness expenses associated with investigations and the holding of public enquiries. Officers continue to work with colleagues at Liverpool City Council and the Coroner's office to manage costs. A pressure of £0.100m has been put into the MTFP for 24/25 to address this position.

3.14 Legal Services continue to experience challenges in recruiting to senior lawyer posts within the service. Despite numerous recruitment campaigns there are still 6 senior lawyer posts to fill permanently that are currently being covered by locum staff which increases the staffing costs and costs of external legal services. The locum costs have created a pressure of £0.057m. Due to the lack of success in previous recruitment campaigns the services of external recruitment consultants has been procured. The consultants will only receive payment if the roles are successfully recruited to. If all posts are filled this will create a pressure of £0.072m but will reduce expenditure on locum staff.

Neighbourhoods Services adverse variance of £4.266m

3.15 The projected adverse position is in part impacted by macroeconomic factors which mean some historic income and savings targets are now unviable. Alternative options for service delivery have been considered previously and will be reviewed to assist in mitigating the current position. The significant areas of note are as follows:

3.16 Neighbourhoods Management: An adverse variance of £0.662m is forecast for 2023/24. This mainly relates to shortfalls in Neighbourhood review savings. Some of these savings have been allocated following EVR requests and team restructures and further requests are currently being reviewed to assist in achieving these savings from 2024/25 onwards.

3.17 Neighbourhood Safety and Transport: An adverse variance of £0.751m is forecast for 2023/24. This is mainly due to income shortfalls and a reduction in the number of schools choosing to renew the Community Patrol services. There is also £0.207m for additional demand within Community Transport that is currently being reviewed with Children, Families and Education teams.

3.18 Highways and Infrastructure: An adverse variance of £1.024m is forecast for 2023/24, £0.500m relates to unachieved income targets for Car Parking charges at new locations. The remainder relates to adverse variances within Highways Operational Services, Street Light Maintenance and being unable to achieve vacancy control and mid-point savings targets.

3.19 Leisure, Libraries and Customer Engagement – an adverse variance of £1.623m is forecast for 2023/24. In the main, this relates to Theatre and Hospitality for £1.262m and Sports and Recreation, which is largely due to employee and premises costs. The remaining variances are shared across the service on staffing due to being unable to achieve vacancy control and mid-point savings, but these are offset with in-year mitigations.

3.20 Parks and Environment: An adverse variance of £0.265m is forecast for 2023/24, which is mainly due to shortfalls in enforcement income, as this will not be achieved until the policy is agreed and implemented.

Regeneration & Place adverse variance of £0.700m

3.21 Regeneration : The use of the UKSPF grant to fund a proportion of the Business Support Service has helped provide a favourable forecast of £0.2m from, as agreed at Economy, Regeneration and Housing Committee on 18th September 2023.

3.22 Local Plan: The local plan has been funded from use of reserve in previous years and the full reserve has been utilised. A further £0.2m adverse position is forecast this year, which is a reduction from £0.5m previously reported, as the remaining spend is now expected in 24-25 (and will be funded from the existing budget). This slippage was from the delay to the hearings due to the Planning Inquiry.

3.23 Assets : Commercial Income has an adverse forecast of £0.2m across the estate, with Europa Building income being a key aspect of this figure; the department are working closely with administrators to review a way forward alongside continued strategic asset management with potential future tenants. This includes the need to write-off £78,862 relating to outstanding debts from Europa Building that the administrator will be unable to pay.

Strategic Holding Account and Corporate Items favourable variance of £7.2m

3.24 Energy costs are currently forecast to be £2.2m lower than initially expected at the time of setting the budget, due to changes in market conditions. However, it should be noted the energy market remains volatile and the position will be monitored closely for any changes.

3.25 Work is progressing on the enabling services restructure across the organisation. One theme has concluded, subject to consultation, and others are on track for completion shortly. Forecast financial savings for the year are anticipated to be £1.0m, being a combination of vacant posts being frozen and service restructures, leaving £1.3m unachieved in 23-24. Due to lead in delivery issues, consultation periods etc this saving will only be fully realised in 24-25.

3.26 Within this area is the General Contingency Budget, circa £5m, established as part of the 2023-24 budget setting to help mitigate against pressures arising from unanticipated fluctuations in spending and income, growing inflationary pressures, slippage on savings delivery and also to provide much needed financial resilience. The 23-24 pay award agreement in December will also allow us to release £1.4m from the pay contingency budget. As we enter the final quarter of the financial year pressures have begun to crystallise, necessitating the utilisation of the contingency budgets.

3.27 A detailed revenue table is attached in Appendix 1**.**

Pressures to be managed.

3.28 It is imperative that the Council report a balanced position at the end of the financial year.

3.29 As per the '2023/24 Budget and Budget Monitoring Processes Report', which was presented to P&R and all Service Committees in June, the Committees will be responsible for containing net expenditure within their overall budget envelope and not overspending. Where an adverse variance is forecast, each committee will be required to take remedial action, with detailed plans and timeframes, to bring the budget back in line and ensure that overspends are mitigated.

3.30 Where a committee has taken all possible steps for remedial action and is unable to fully mitigate an overspend, this must be reported to the Policy and Resources Committee who will then take an organisational-wide view of how this adverse variance will be managed. There must be immediate action agreed to ensure a deliverable, balanced forecast position can be reported, and this will be monitored on a monthly basis by the Policy and Resources Committee Finance Sub-group.

3.31 The Policy and Resources Committee has ultimate responsibility for taking any necessary steps required to ensure a balanced budget position is delivered. The Section 151 Officer will be responsible for ensuring that any budget actions, proposals and mitigations are achievable and legal.

3.32 The quarter 3 position highlights £7.970m of forecast adverse variances. Mitigation from utilising contingency budgets and expected savings from reduced energy costs will largely cover this position. The application of flexible use of capital receipts is also being explored against Strategic Change revenue spend which will assist in achieving a balanced position at year end. However, Committees and the relevant Chief Officers will still need to identify and agree remedial action to address the remaining variances, noting that the Section 151 Officer has engaged with SLT around deferring non-essential spend until the end of the year to ensure a balanced position can be achieved at year end.

Budget Virements/ Amendments

3.33 At the start of the financial year, the Council agreed to set aside budgets to cover increases in pay costs (salaries) and business rates payable on Council owned buildings. These budgets were held centrally until such time as the exact costs were known. As at quarter 3, these budgets have been moved from a central, holding position, into each Directorate, to align budget with spend. Similarly, the cross-cutting saving relating to Enabling Services has been held centrally until specific directorate savings are identified. At Q3, the identified savings have been reflected in Directorate positions via budget reductions.

Progress on delivery of the 2023/24 savings programme.

3.34 Table 2 presents the progress on the delivery of the 2023/24 approved savings. For savings rated as Amber, an equal amount of temporary in-year mitigation has been identified to cover any shortfalls which may occur. For savings rated as red, the contingency fund set up for non-achieved savings will need to be utilised.

3.35 In terms of savings, £26.011m of the £28.345m savings targets are either delivered or on track to be delivered, representing 92% of the total savings target with a further 8% or £2.334m with a high risk of not being achieved within this financial year. The table below summarises the progress by Directorate:

TABLE 2: SUMMARY OF PROGRESS ON DELIVERY OF 2023/24 SAVINGS

Directorate	Approved Saving £m	Green £m	Amber £m	Red £m	Mitigation £m
Adult Care & Health	-5.935	-5.935	0.000	0.000	0.000
Children, Families & Education	-4.180	-4.180	0.000	0.000	0.000
Finance	-5.200	-5.200	0.000	0.000	0.000
Law & Governance	-0.070	-0.052	-0.018	0.000	-0.018
Neighbourhood Services	-1.600	-0.784	-0.091	-0.725	-0.091
Regeneration & Place	-2.660	-2.460	0.000	-0.200	0.000
Resources	-0.160	-0.160	0.000	0.000	0.000
Corporate	-8.540	-7.240	0.000	-1.300	0.000
TOTAL	**-28.345**	**-26.011**	**-0.109**	**-2.225**	**-0.109**

Significant variances by directorate.

Neighbourhoods: £0.725m red rated savings-

3.36 The key variances are as follows:

- **Introduction of an environmental enforcement scheme -** The saving of £0.150m has been delayed until policy documents can be agreed at ECET Committee. This saving is rated red and is unlikely to be achieved in 2023-24.
- **Leisure Centre service review** – The saving of £0.500m will not be fully achieved until 2024/25. £0.241m of savings are expected to be delivered in year, with the remaining savings achieved next financial year as the full impact of energy efficiency projects are realised and EVR savings agreed.
- **Review of Neighbourhoods Staffing Structure -** The saving of £0.425m has been delayed whilst work is carried out to ensure there is no overlap with the corporate enabling services saving. EVR/VS requests are still being considered. These delays mean that £0.287m is rated red and is unlikely to be achieved in 2023-24.

Regeneration & Place: £0.2m red rated savings

3.37 £0.2m adverse pressure relates to the Wallasey Town Hall Standby saving (which is a £0.4m saving). The saving was based on the building being in standby mode for the full year. However, the building has been used for the local plan consultation and the public enquiry. It is now estimated the building won't be fully on standby until half-way through the year, so the full saving will not be achieved.

Corporate: £1.300m red rated savings

3.38 Work is progressing on the enabling services restructure across the organisation. One theme has concluded, subject to consultation, and others are on track for completion by calendar year end. Forecast financial savings for the year are anticipated to be c £1.0m, being a combination of vacant posts being frozen and service restructures. It is planned that by the end of the financial year all the required posts to achieve the full £2.3m saving will have been identified. However due to lead in delivery issues, consultation periods etc. £1.300m of this saving will only be fully realised in 24-25.

3.39 A complete list of all approved savings can be found in the Budget report which was presented to Council on 27 February 2023.

Reserves and Balances

3.40 On 1 April 23, earmarked reserves totalled £71.831m and General Fund Balances totalled £13.180m. Of the total earmarked reserves, more than a quarter will be spent in 2023/24, on the activities for which they were established.

TABLE 3: SUMMARY OF EARMARKED RESERVES

Directorate	Opening Balance £000	Forecast Use of Reserve £000	Forecast Contribution to Reserve £000	Analysis of Forecast Closing Balance £000		
				Ring-fenced	Non Ring-fenced (committed)	Non Ring-fenced
Adult Care & Health	7,329	-250	0	6,981	0	98
Children, Families & Education	3,661	-1,132	0	1,053	1,043	433
Finance	1,088	-471	0	0	0	617
Law & Governance	270	-148	0	67	55	0
Neighbourhoods Services	301	-181	0	112	0	8
Regeneration and Place	7,718	-3,016	0	3,255	0	1,447
Resources	1,916	-500	0	0	0	1,416
Other Corporate	49,548	-21,429	8,125	32,396	0	3,848
Total	**71,831**	**-27,127**	**8,125**	**43,864**	**1,098**	**7,867**
				Total Earmarked Reserves Forecast Closing Balance		**52,829**

General Fund Balances	**13,180**	**0**	**0**	**0**	**0**	**13,180**

3.41 The Council is currently forecast to have £52.829m of earmarked reserves at the end of the financial year 2023-24. Of this £43.864m can be considered ringfenced, with specific conditions limiting their use, £1.098m is non ring fenced but already committed for specific purposes and £7.867m can be considered earmarked but not ringfenced . Ringfenced reserves include School's balances, Insurance fund, Public Health Grant, Wirral Growth Company, Covid Additional Relief Fund (CARF), Resettlement Programme Grant, and Selective Licensing.

3.42 A full list of all earmarked reserves can be found in the Budget Outturn report which was presented to Policy & Resources Committee on 14 June 2023.

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 3 budget monitoring report that provides information on the forecast outturn for the Council for 2023/24. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Policy & Resources Committee, the financial position is routinely reported at Directorate Management Team meetings and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

5.1 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

5.2 The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

5.3 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 At this time, there are no additional resource implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there will be resource implications, and these will be addressed within the relevant business cases presented to the Committee.

7.0 RELEVANT RISKS

7.1 The Council's ability to maintain a balanced budget for 2023/24 is dependent on a stable financial position. That said, the delivery of the budget is subject to ongoing variables both positive and adverse which imply a level of challenge in achieving this outcome.

7.2 In any budget year, there is a risk that operation will not be constrained within relevant budget limits. Under specific circumstances the Section 151 Officer may issue a Section 114 notice but that position has not been reached at the present time.

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultation has been carried out with the Senior Leadership Team (SLT) in arriving at the governance process for the 2023/24 budget monitoring process and budget setting process. This report will also be shared and reviewed by the Independent Panel.

8.2 Since the budget was agreed at Full Council on 27 February, some proposals may have been the subject of further consultation with Members, Customer and Residents. The details of these are included within the individual business cases or are the subject of separate reports to the Committee.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 At this time, there are no further equality implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there may be equality implications associated with these, and these will be addressed within the relevant business cases presented to the Committee.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 This report has no direct environmental implications; however due regard is given as appropriate in respect of procurement and expenditure decision-making processes that contribute to the outturn position.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 In year activity will have incorporated community wealth implications. Consideration would have taken account of related matters across headings such as the following:

- **Progressive Procurement and Social Value**
  How we commission and procure goods and services. Encouraging contractors to deliver more benefits for the local area, such as good jobs,

apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing.

- **More local & community ownership of the economy**
  Supporting more cooperatives and community businesses.
  Enabling greater opportunities for local businesses.
  Building on the experience of partnership working with voluntary, community and faith groups during the pandemic to further develop this sector.

- **Decent and Fair Employment**
  Paying all employees a fair and reasonable wage.

- **Making wealth work for local places**

REPORT AUTHOR: **Mark Goulding**
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APPENDICES
APPENDIX 1 – Directorate Summary Financial Positions

TERMS OF REFERENCE
This matter is being considered by the Policy and Resources Committee in accordance with section 1.2(b) provide a co-ordinating role across all other service committees and retain a 'whole council' view of [budget monitoring].

BACKGROUND PAPERS
Policy & Resources Committee Report 14 Jun 23: 2023/24 Budget and Budget Monitoring Processes Report.
Policy & Resources Committee Report 5 Oct 22: 2023-24 Budget Update
Bank of England – Monetary Policy Report
CIPFA's Financial Management Code

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
Policy and Resources Committee	**8 November 2023**
Policy and Resources Committee	**4 October 2023**
Policy and Resources Committee	**12 July 2023**
Policy and Resources Committee	**14 June 2023**

Council	**27 February 2023**
Policy and Resources Committee	**15 February 2023**
Policy and Resources Committee	**17 January 2022**

APPENDIX 1 - Directorate Summary Financial Positions

	Budget	Forecast Outturn	Variance	
			(+ Adv / - Fav)	
	£000	£000	£000	%
Adult Care & Health				
Adult Social Care Central Functions	8,096	8,457	361	4%
Older People Services - WCFT	62,382	62,550	168	0%
Mental Health & Disability Services - CWP	54,888	55,093	205	0%
Other Care Commissions	-59	-7	52	-88%
Delivery Services	5,586	5,355	-231	-4%
Public Health	-161	-161	0	0%
Wirral Intelligence Service	525	405	-120	-23%
Adult Care & Health Net Expenditure	**131,257**	**131,692**	**435**	**0%**
Chief Executive Office				
Chief Executive Office	0	0	0	0%
Corporate Office	0	0	0	0%
Chief Executive Office Net Expenditure	**0**	**0**	**0**	**0%**
Children Families and Education				
Children and Families	56,598	58,268	1,670	3%
Early Help and Prevention	11,000	9,879	-1,121	-10%
Modernisation and Support	4,527	4,097	-430	-9%
Schools - Core	16,219	16,464	245	2%
Children Families and Education Net Expenditure	**88,344**	**88,708**	**364**	**0%**
Finance				
Finance & Investment	4,349	4,426	77	2%
Revenues & Benefits	2,891	4,885	1,994	69%
Audit, Risk & Business Continuity	621	600	-21	-3%
Finance Net Expenditure	**7,861**	**9,911**	**2,050**	**26%**
Law & Corporate Services				
Law & Governance (Corporate)	347	423	76	22%
Legal Services	3,421	3,478	57	2%
Democratic & Member Services	1,121	1,139	18	2%
Coroner Services	730	800	70	10%
Electoral Services	481	505	24	5%
Registrar Services	-117	-127	-10	9%
Licensing	-85	-85	0	0%
Policy & Strategy	259	235	-24	-9%
Comms & Marketing	666	706	40	6%
Executive Support	665	597	-68	-10%
Members Support Team	243	209	-34	-14%
Committee Services	96	76	-20	-21%
Law & Governance Net Expenditure	**7,827**	**7,956**	**129**	**2%**

APPENDIX 1 - Directorate Summary Financial Positions

	Budget	Forecast Outturn	Variance	
			(+ Adv / - Fav)	
	£000	£000	£000	**%**
Neighbourhoods				
Neighbourhoods Management Team	134	796	662	494%
Community Safety and Transport	3,871	4,562	691	18%
Highways and Infrastructure	6,474	7,498	1,024	16%
Leisure, Libraries and Customer Engagement	8,823	10,446	1,623	18%
Parks and Environment	20,648	20,914	266	1%
Neighbourhoods Net Expenditure	**39,950**	**44,216**	**4,266**	**11%**
Regeneration & Place				
Regeneration	444	244	-200	-45%
Housing	6,009	6,009	0	0%
Asset Management & Investment	6,473	6,773	300	5%
Planning	1,333	1,733	400	30%
Special Projects	121	121	0	0%
Local Plan	399	599	200	50%
Regeneration & Place Net Expenditure	**14,779**	**15,479**	**700**	**5%**
Resources				
HR & OD and Payroll	5,355	5,277	-78	-1%
Digital & Improvement	8,909	10,015	1,106	12%
Strategic Change	3,469	2,467	-1,002	-29%
Resources Net Expenditure	**17,733**	**17,759**	**26**	**0%**
Directorate Net Expenditure	**307,751**	**315,721**	**7,970**	**3%**
Levies				
Transport Levy	23,043	23,043	0	0%
Waste Levy	17,521	17,521	0	0%
Environmental Health Levy	200	200	0	0%
Environment Agency Levy	175	175	0	0%
Levies Net Expenditure	**40,939**	**40,939**	**0**	**0%**
Strategic Holding Account & Corporate Items				
Pension	-1,067	-1,067	0	0%
Treasury & Debt Management	20,098	20,098	0	0%
Other Corporate Items	7,355	155	-7,200	-98%
Public Health Recharge	-6,476	-6,476	0	0%
Strategic Holding Acc. & Corporate Items Net Exp.	**19,910**	**12,710**	**-7,200**	**-36%**
Total Net Expenditure	**368,600**	**369,370**	**770**	**0%**

Notes:
* Forecast Outturn figures assume reserves movements shown in Table 3 of the report.

POLICY AND RESOURCES COMMITTEE
Tuesday 13th February 2024

REPORT TITLE:	**PROCEDURE FOR BUDGET DECISION MEETING OF COUNCIL**
REPORT OF:	**DIRECTOR OF LAW AND CORPORATE SERVICES**

REPORT SUMMARY

To report on the assurance process in formulating the draft Council Budget and to recommend to Council a process for adoption at the Budget decision making meeting.

This report does not constitute a key decision.

RECOMMENDATION/S

That the Policy & Resources Committee recommend to Council that:

1. For the duration of the extraordinary meeting of 26th February 2024 (Budget Council):

   (a) the procedure attached as Appendix A be followed in respect of the meeting; and

   (b) Council Standing Order 15.4 (timing of speeches) be suspended together with such other standing orders as may conflict with the Budget Council procedure or the Mayor's administration of the meeting, in such a manner as the Mayor in his or her absolute discretion dictates, to ensure the objective of Council setting a lawful budget and council tax requirement prevails.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION/S

1.1 The Council has a duty under Local Government Finance Act 1992 to set a lawful budget in a timely manner. Members have a fiduciary duty to council taxpayers, to facilitate the setting of a lawful budget.

1.2 Where the Authority is making calculations in accordance with that duty, the Section 151 officer must report to it on:

(a) the robustness of the estimates made for the purposes of the calculations; and

(b) the adequacy of the proposed financial reserves,

in respect of which this report sets out the processes by which this is considered to be best achieved.

1.3 Failure to set a lawful budget in time may lead to a loss of revenue, significant additional administrative costs, as well as reputational damage. Failure to set a budget may lead to intervention from the Secretary of State under section 15 Local Government Act 1999.

1.4 Budget Council is an extraordinary meeting of full Council and, in order to meet the legal duties at that meeting to set a balanced and lawful budget within the time set by legislation, the meeting requires within it a process for additional flexibility and compromise, for which an alternate procedure to ordinary Council Standing Orders is set out as Appendix A.

2.0 OTHER OPTIONS CONSIDERED

A Budget Council debate can be run in accordance with ordinary standing orders. This will not provide the same level of flexibility and efficient administration of the meeting in this particular instance.

3.0 BACKGROUND INFORMATION

3.1 <u>The Council Budget</u>

3.1.1 Each year the Council must hold a budget decision meeting to agree its estimates of expenditure against which it can offset estimated income to then calculate the authority's council tax requirement. These estimates of expenditure, revenue and capital, are the Council's Budget, which can be summarised as a calculation of the aggregate of four factors in relation to the Council's expenditure for the year, namely:

(i) the expenditure the authority estimates they will incur in the year in performing their functions and will charge to a revenue account for the year in accordance with proper practices,

(ii) such allowance as the authority estimate will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for a year in accordance with proper practices, being aligned to various identified Council funds and budget heads,

(iii) the financial reserves which the authority estimate it will be appropriate to raise in the year for meeting their estimated future expenditure, and

(iv) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

3.2 Responsibilities for budget decision making

3.2.1 The Policy and Resources Committee is responsible for development of the Council's budget, including consultation on proposals for estimates of revenue and capital expenditure for the following financial year. It is the responsibility of the Committee and its members to then formulate a draft budget and to recommend that budget to a meeting of the Council to approve.

3.2.2 It is the responsibility of all Members of the Council as part of that Budget Council meeting to be held before 11th March to adopt a lawful and balanced budget.

3.2.3 This report sets out the recommended process for the final steps before and at the Council's budget decision meeting, for both Policy and Resources Committee and full Council to agree.

3.4 Budget Formulation and Assurance

3.4.1 As part of the response to the recommendations of the External Assurance Review that all Group Leaders engage constructively with the financial recovery plan, the Policy and Resources Committee established the Finance Sub-Committee, with responsibility for development of the Council's budget and operating as a working group and to provide a coordinating role across all other committees. This has taken a leading role in drawing together proposals from Committees, officers and Members and the public in drawing together the budget proposals.

3.4.2 The response to the commentary on the rigour of advice to Members in respect of budget proposals has been to add to the support given to challenge and assurance as to the adequacy of proposals in terms of whether the individual proposals are realistic, deliverable or affordable.

3.4.3 Proposals forming part of the draft budget have gone through a process of assessment to enable the s151 officer to be able to advise on their individual robustness and also their potential impact upon reserves. This is completed via an assessment process on a standard form or template. This is applied in this year equally to proposals submitted by officers or later by Members, either through the committee process or individually through political groups. This will go on to inform the overall statutory report on the robustness of the budget estimates and the adequacy of the financial reserves, to which Members are required to have regard.

3.4.4 This process does not mean that advice on potential further proposals or amendments to the draft budget put forward to the s151 officer by a Member will not be held confidentially. To provide for exploration of all possible options, where requested, officer advice to a Member will not be shared with other Members (with the exception that any amendments received for an elected Member who is part of a Group will be shared with the relevant Group Leader).

3.5 Amendments and new ideas received outside of the proposed Budget Council timeline

3.5.1 There may not be enough time to provide assurance on the robustness of further proposals that come forward out of budget discussions. However, such proposals can be considered an important step in the development of the MTFP and the formulation and exploration of the following year's budget proposals.

3.6 Budget Council Meeting

3.6.1 Once the draft budget has been agreed for recommendation to Council, the Council must meet and set a lawful budget by 11th March. This may, by exception, require more than one meeting in the following manner, as set out in the Budget and Policy Framework Procedure Rules at Part 4(3) of the Council's Constitution.

Initial Full Council Meeting

Full Council will consider the Policy and Resources Committee's proposals for the Annual Budget and proposed level of Council Tax and may approve them on the basis of a simple majority of Elected Members present and voting.

The proposed Annual Budget (and Council Tax level) becomes the Council's decision and is effective immediately.

If the Annual Budget (and Council Tax level) proposed is not approved by Full Council it is referred back to the Policy and Resources Committee.

Full Council must identify the issue(s) that it wishes the Policy and Resources Committee to reconsider and the reasons for seeking such reconsideration.

Further Informal Meeting of the Policy and Resources Committee

A further informal meeting of Policy and Resources Committee to consider the referral from Full Council will take place. The Committee will consider and respond to the referral from Full Council.

Final Meeting of the Council

The final meeting of Full Council will take place no later than 11 March in any year to enable the Authority's Council Tax Requirement to be determined by the requisite statutory deadlines.

3.6.2 In order to meet the legal duties at that meeting to set a balanced and lawful budget within the time set by legislation, the meeting requires within it a process for additional flexibility and compromise. To this end full Council will be requested to suspend ordinary Council Standing Orders and to follow an alternate procedure set out as **Appendix A** to this report.

4.0 FINANCIAL IMPLICATIONS

4.1 Delay in setting the Council Tax means a delay in collecting the Tax due not only to the Council, but also the precepting authorities.

4.2 The Council has a legal duty to provide a range of statutory services (such as refuse collection, homelessness prevention etc.) and is not absolved from its duty because of the late setting of the Tax. It also has to pay the monies due to the precepting authorities whether or not it collects any Council Tax.

4.3 Even if the Council sets the budget before the deadline but much later than the planned Budget Council Meeting, there is still likely to be some disruption to the administrative arrangements relating to the collection of Council Tax (such as printing, posting, delivery of demands) that have cost implications.

5.0 LEGAL IMPLICATIONS

5.1 Section 31A (11) of the Local Government Finance Act 1992 requires that the Council sets its budget before 11th March in the financial year preceding the one in respect of which the budget is set.

5.2 If the budget is set after that date, the Act's provisions state that the failure to set a budget within the deadline does not, in itself, invalidate the budget. Such delay, however, is likely to have significant financial, administrative and legal implications, including potential individual liability of any Member who contributed to the failure to set a budget.

5.3 Section 66 of the 1992 Act provides that failure to set a Council tax (or delay in setting a Council tax) shall not be challenged except by an application for judicial review. The Secretary of State and any other person with an interest or "standing" may apply for judicial review.

5.4 S.25 of the Local Government Act 2003 requires the Council, through its extra ordinary budget setting Council meeting to have regard to the s.151 officer's report on the robustness of the proposed Budget and the adequacy of the proposed financial reserves when making decisions about the calculations in connection with which it is made.

5.5 The obligation to make a lawful budget each year is shared equally by each individual Member and in doing so Members owe a fiduciary duty to the Council Taxpayer.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no additional resource requirements arising directly from this report, however, specific savings initiatives may impact staffing.

7.0 RELEVANT RISKS

7.1 Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

8.0 ENGAGEMENT/CONSULTATION

8.1 The process set out in Appendix A accords with the steps taken in previous years.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 As this is a report about the budget process and not the budget content, there are no direct equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no direct climate implications arising from this report.

11.0 There are no community wealth implications arising directly out of this report.

REPORT AUTHOR: Jill Travers
Director of Law and Corporate Services

APPENDICES

Appendix A

BACKGROUND PAPERS

BUDGET DECISION COUNCIL 27 FEBRUARY 2023 PROCUDURE AND RULES

BUDGET DECISION COUNCIL 28 FEBRUARY 2022 PROCEDURE AND RULES

BUDGET DECISION COUNCIL 1 MARCH, 2021 PROCEDURE AND RULES

TERMS OF REFERENCE

This report is being considered by the Policy & Resources Committee in accordance with Section A of its Terms of Reference, to “formulate, co-ordinate and implement corporate policies and strategies and the medium-term financial plan (budget).”

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Policy & Resources Committee	**15 February 2023**
Budget Policy & Resources Committee	**15 February 2022**
Budget Policy & Resources Committee	**17 February 2021**

Appendix 1
THE BUDGET DECISION MEETING OF COUNCIL

The recommendations of the Policy & Resources Committee will be proposed in respect of the agreement of the annual Budget, setting of the council tax requirement and related matters to the Council, which if seconded, will be debated by Full Council, in accordance with the provisions below and voted upon by a simple majority.

Any elected Member may put forward to the Council any amendments to the Policy & Resources Committee's budget proposal. Members should not put forward any proposal, however, that would mean setting an unlawful budget and they must take advice from officers to ensure their proposals are in order. To this end any amendments put forward must be evaluated by the Chief Finance Officer (s.151) and Monitoring Officer, or officers appointed by them for the purpose, to determine the service, financial and legal implications of implementing those proposals. The Chief Finance Officer will seek to give to the elected Member putting forward the amendment, and discuss with them where appropriate, the affect that those proposals will have on the robustness of the estimates made for the purposes of the Budget calculations and the adequacy of the proposed financial reserves (The Chief Finance Officer's duty to report to Council under s25 of the Local Government Act 2003).

The intended amendments to the Policy & Resources Committee's budget proposals are required to be submitted to the Chief Finance Officer by no later than **9 am five (5) calendar days before the Council Budget Setting Meeting**.

The amended proposals, once received by the Chief Finance Officer, will be held confidentially by officers and not shared with other political parties, with the exception that any amendments received for an elected Member who is part of a Group will be shared with the relevant Group Leader. All amended proposals will be considered by finance services officers by no later than **12 noon three (3) calendar days before the day of the Council meeting**, excluding the day of the meeting itself. The Chief Finance Officer and Monitoring Officer will confirm the legality and impact of all proposed amendments. Any that in the Monitoring Officer's opinion are unlawful shall be rejected.

All proposed amendments validated by the Chief Finance Officer will be shared with all elected Members, by email, by the Chief Finance Officer by **5pm three (3) calendar days before the Council meeting**, excluding the day of the meeting itself. Any amendments not validated by the Chief Finance Officer to be reported back to the political groups by the Chief Finance Officer.

Following a period for negotiation by political groups, any alterations to proposed amendments, will be allowed up to **9am on the day of the meeting**, provided they do not have substantial impact and are agreed with the Chief Finance Officer. By noon on the day of the Council meeting Democratic Services Officers will circulate copies of all remaining proposed amendments to all Members of the Council, by email, in case any have been withdrawn. At the Council meeting, the Mayor will refuse to accept any proposals for amendment that have not been through the above process and signed off as being a lawful proposal. Further, at the Council meeting, the Mayor will refuse to accept any additional amendments or alterations unless it is with the consent of the Council and it can be ascertained from the relevant officers that they can be made subject to above procedure within a sufficiently short time.

Council Meeting

Budget Council is an extraordinary meeting of Council and, under Standing Order 3.2, the business to be conducted shall be restricted to the Budget matters contained in the summons.

The Mayor or Council is asked to agree that the Budget related motions or amendments are dealt with in one debate (under SO15.15 Joint Debates) to facilitate the setting of a lawful budget; a process that requires flexibility and compromise.

To that end, the Council will be asked to agree suspension of Council Standing Order 15.4 (timing of speeches) and such other standing orders as may conflict with this budget process or the Mayor's administration of the meeting, in such a manner as the Mayor in his or her absolute discretion dictates, to ensure the objective of Council setting a lawful budget and council tax requirement prevails.

Debate at Council

At the Council Budget Setting Meeting the Leader as Chair of Policy & Resources Committee (or in their absence the Vice-Chair), will speak to the minute and preceding report and will move the motion to propose the Council's annual Budget. The Leader will have 15 minutes maximum for their speech.

The Chair of Children, Young People & Education Committee will speak to the Schools' Budget element of the Policy & Resources Committee Budget Recommendations/Minute(s) will have 7 minutes maximum for their speech.

The proposals will need to be seconded and the Member seconding has 7 minutes available for this purpose, or where proposed alterations have been circulated, 10 minutes. The seconder may speak at the time of seconding or reserve their speech for later on in the debate.

The Leader of the next largest Group on the Council will have the right to speak first on the proposal, who may propose any amendment, which has been signed off by the Chief Finance Officer, and will have 15 minutes maximum for their speech. Any amendment will need to be seconded and the Member seconding the amendment has 7 minutes for this purpose and may make their speech at the time of seconding or reserve it for later in the debate on this amendment.

The Leader of the next largest Group will have the right to speak next on the earlier proposals put before Council, and may have 15 minutes to propose their own amendment provided it has been signed off by the Chief Finance Officer, which shall need to be seconded with the seconder having a maximum of 7 minutes for this purpose and the right to reserve their speech until later in the debate.

This process continues until the Leader of each Group and all Members who are not in a Group have had the opportunity to speak, and the budget and all proposed amendments have been proposed and seconded.

The matter is then open to one full debate from all Members of the Council. Each Member may speak only once on this item, other than those who have submitted the original proposal or an amendment who will later have a right of reply. Each speaker, other than as set out above, has a maximum of 3 minutes to speak.

The debate is managed by the Mayor who has control of the debate and may use their discretion to ensure the effective, efficient, fair and orderly conduct of the business. The Mayor's interpretation and their application of the standing orders and this process will be final.

At the end of the debate if any Member seconding a proposal (the substantive proposal or a proposed amendment) has reserved their seconder's speech to later in the debate, their speeches, of a maximum of 7 minutes will be taken in the reverse order in which the motions were proposed and seconded.

When the debate has concluded the Leader of the Council, and any Group Leader or Member not in a Group who has proposed an amendment, will have a right of reply. Each speaker will be taken in the reverse order in which the motions were proposed and seconded, with the Leader of the Council having the last right of reply on behalf of the Policy & Resources Committee. Any speaker with a right of reply has up to 5 minutes to respond.

When the debate has concluded, the Mayor will if he/she thinks fit, sum up the debate before putting the amendments to the vote. In doing so he/she may request the Chief Finance Officer to draw the attention of the meeting to any relevant factors.

The Mayor will then put the amendments to the vote in the order of the amendments proposed by the smallest Group Leader first, followed by the next largest etc. Each amendment will be voted on in turn, with a recorded vote being required to be taken on each amendment.

Some proposed amendments may impact on others and there may be inter-dependencies between them. For example, if one amendment is passed or lost it may result in others automatically being lost, whilst some amendments may have no impact on others and may stand alone regardless of the outcome of voting on other amendments. The Chief Finance Officer will advise accordingly and the Mayor may adjourn the meeting to facilitate the provision of that advice. Following the conclusion of the voting on the amendments, the Chief Finance Officer will confirm how the individual amendments that have been carried affect the Council Tax proposal as necessary.

There may be a need for a short adjournment to allow for the preparation of the Council Tax resolutions to reflect the budget proposals as amended/if amended to be circulated prior to the substantive vote.

Once the amendments have each been voted upon and determined, the Chief Finance Officer will clarify any amendments that have been agreed and how they affect the budget proposal. The Mayor will then put the substantive proposal (motion), as amended if they have been amended, to the Council for a vote. A recorded vote is required and will be included in the minutes.

If the budget proposal is accepted without amendment by Council, the Council may make a decision which has immediate effect.

If the budget is lost, the Council will be asked by the Mayor to adjourn and allow members of the Policy and Resources Committee to meet as a working group and return to the adjourned meeting with further proposals.

An adjourned meeting must make a lawful resolution before 11th March.

<u>Exclusion of notices of motion and formal questions</u>

Formal questions from Councillors and Notices of Motion shall not be received and considered and the respective Council Standing Orders 12 and 13 shall accordingly not apply.

For the avoidance of doubt, neither public questions may be asked nor statements or petitions be submitted (Council Standing Orders 10 and 11) and other reports will not be considered. Motions without notice may be moved (Council Standing Order 14 applies).

Speakers

With exception of right of reply, each speaker may speak only once.
Speakers will be allocated the following time

The Leader of the Council speaking to the P&R's Budget Recommendation(s)/Minute(s)	15 minutes
The Chair of Children, Young People & Education Committee speaking to the Schools' Budget element of the P&R's Budget Recommendation(s)/Minute(s)	7 minutes
Deputy Leader (or seconder) - May reserve right to speak later [a]	7 minutes
Leader of Second largest group speech in response and (if applicable) in proposing their respective Amendment (Alternative Budget Proposals)	15 minutes
Seconder (second largest group) (if applicable) speaking to their respective Alternative Budget Proposal(s) / Amendment - May reserve right to speak later [b]	7 minutes
Green Group Leader – as above Seconder	15 minutes 7 minutes
Lib Dem Group – as above Seconder	15 minutes 7 minutes
Other speakers – general debate	3 minutes

[b] Seconders of amendments (if reserved right to speak) ascending group size order	7 minutes
[a] The Seconder of the P&R Budget Recommendation(s) / Minutes(s)	7 minutes
Group Leaders right of reply (if an amendment has been moved) in ascending order of size	5 minutes
Leader of Council Right of reply	5 minutes
Move to the vote. Amendments in ascending order of size of Group, followed by substantive motion on proposals	-

(For the avoidance of any doubt the times mentioned in the table above shall not affect the Mayor's discretion to permit a speaker to speak beyond the allotted time).

Policy and Resources Committee – Terms of Reference

The Policy and Resources Committee has two main areas of responsibility, which is to provide strategic direction to the operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets.

The Committee is charged by full Council to:-

(a) formulate, co-ordinate and implement corporate policies and strategies and the medium term financial plan (budget), which includes responsibility for any decision:
   (i) that relates to such matters to the extent that they are not reserved to full Council;
   (ii) on any cross-cutting policies that impact on other committee areas;
   (iii) on policy matters not otherwise allocated to any other committee; and
   (iv) to determine any dispute or difference between committees;

(b) provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management, which includes responsibility for a decision:
   (i) that has a major impact on a number of Council services or on the Council as a whole;
   (ii) on any virement between Budget funds (revenue) requested by a Committee or officer in excess of **£500,000**;
   (iii) on any virement between Budget funds (capital) or any amendment to the Capital Programme requested by a Committee or officer in excess of £500,000
   (iv) regarding land and property including major acquisition and disposals, which includes reserved decision making concerning any purchase, sale or transfer of a value in excess of, or likely to exceed, **£**500,000, unless the Committee has delegated this function in relation to a specified area or business plan as the Committee may determine
   (v) regarding companies or limited liability partnerships including acquisition and disposals; and
   (vi) which is deemed significant in terms of impact on the Council's revenue or capital (to be determined by the Head of Paid Service and/or Section 151 Officer in consultation with the Leader);

(c) without limiting the generality of responsibility for cross-cutting policies (at (a) above), lead on behalf of the Council:
   (i) in matters concerning relationships with HM Government, the Liverpool City Region Combined Authority and other major public and non-public bodies;

(d) appoint Council representatives as required;

(e) nominate councillors and other persons to outside bodies; and

(f) undertake responsibility for developing and monitoring the enabling corporate services, including, finance and investment, project support and risk management, strategic procurement and commercial strategies, ICT, property and asset management, human resources and organisational development, law and governance, communications and public affairs, emergency planning and business continuity.