



## Policy and Resources Committee

<b>Date:</b>	<b>Friday, 18 December 2020</b>
<b>Time:</b>	<b>4.00 p.m.</b>
<b>Venue:</b>	<b>Virtual</b>

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### 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 - 10)**

To approve the accuracy of the minutes of the meeting held on 11 November, 2020.

**5. PUBLIC AND MEMBER QUESTIONS**

**5a. Public Questions**

Notice of question to be given in writing or by email by 12 noon, Tuesday, 15 December, 2020 to the Council's Monitoring Officer and to be dealt with in accordance with Standing Order 10.

**5b. Statements and Petitions**

Notice of representations to be given in writing or by email by 12 noon, Tuesday, 15 December, 2020 to the Council's Monitoring Officer and to be dealt with in accordance with Standing Order 11.1.

**5c. Questions by Members**

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

**SECTION A - BUDGET AND PERFORMANCE MANAGEMENT**

**6. DRAFT REVENUE BUDGET 2021/22 - PROPOSALS FOR CONSULTATION (Pages 11 - 46)**

## **POLICY AND RESOURCES COMMITTEE**

Wednesday, 11 November 2020

Present: Councillor J Williamson (Chair)

Councillors	A Leech	C Spriggs
	JE Green	T Usher
	P Gilchrist	T Anderson
	P Cleary	W Clements
	M McLaughlin	A Hodson
	J McManus	L Rennie
	Y Nolan	C Carubia
	P Stuart	

Deputy: Councillor J Robinson (In place of EA Grey)

### 13 **WELCOME AND INTRODUCTION**

The Chair welcomed everyone to the meeting.

### 14 **APOLOGIES**

The Chair announced that apologies had been received from Councillor Elizabeth Grey, and Councillor Jean Robinson was deputising for her.

### 15 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Members were asked to declare any disclosable pecuniary interests and any other relevant interest and to state the nature of the interest.

Councillor Moira McLaughlin declared a personal interest in respect of agenda item 6 'The Provision of Food and Other Activities for Children in School Holidays during the Covid-19 Pandemic' by virtue of her being a trustee of Feeding Birkenhead, Supporting Wirral and the Citizens Supermarket.

Councillor Julie McManus declared a personal interest in agenda item 6 'The Provision of Food and Other Activities for Children in School Holidays during the Covid-19 Pandemic' by virtue of her work with the Little Centre Beechwood and her membership of the Gautby Road Play and Community Centre Joint Management Committee.

### 16 **MINUTES**

**Resolved – That the minutes of the meeting held on 7 October, 2020, be approved and adopted as a correct record.**

## 17 PUBLIC AND MEMBER QUESTIONS

The Chair reported that no questions from either members of the public or Members had been submitted. Nor were there any statements or petitions to receive.

## 18 THE PROVISION OF FOOD AND ACTIVITIES FOR CHILDREN IN SCHOOL HOLIDAYS DURING THE COVID-19 PANDEMIC

The Chair introduced this item and referred to the Government's recent reversal of its policy on provision of free school meals during school holidays, which had occurred after this report had been written and published.

The Director for Children, Families and Education, Paul Boyce, provided the Committee with an overview of the provision of free school meals (FSM) in school holidays during the Covid-19 emergency pandemic since March. The report also sets out proposals for the funding of FSM between Christmas and the end of the Easter holidays in 2021 and recommended a process for the development of a sustainable approach to the provision of FSM and support to eligible children in the medium and longer term.

With regard to the recent Government announcement he confirmed that there would be three separate funding streams:

- A Winter grant of £1.224m (from a £170m grant for English local authorities) for food, heating and wider support from Christmas to Easter for poorer families, including vulnerable families with children receiving FSM.
- A Holiday Activities and Food Programme of £220m, distributed between English local authorities to run from Easter to Christmas 2021.
- An extension to the 'Healthy Start' programme for low income pregnant women and those with children under 4, with an increase from £3.10 to £4.25 a week from April 2021.

Paul Boyce suggested that, as greater clarity with regard to the newly announced Government funding streams was yet to be provided, it would be prudent to agree the recommendations and set aside the £200,000 Tranche 4 of Government Covid-19 funding, as detailed in the report.

The Committee debated the matter at some length and expressed their gratitude to all those community groups, including Feeding Birkenhead, involved in supporting vulnerable residents. Members also acknowledged the support required by residents struggling in all areas of the borough, including more affluent areas and the need to consider support for families where children were not necessarily in receipt of FSM.

On a motion by Councillor Julie McManus, seconded by Councillor Phil Gilchrist, it was -

**Resolved – That,**

- (1) the proposal to provide funding for Free School Meals (FSM) during school holidays up until the end of 2021 Easter holidays, be agreed.**
- (2) the Children, Young People and Education Committee be asked to develop proposals for consideration by the Policy and Resources Committee on a sustainable approach for the provision of FSM and support to eligible children in the medium and long term, including children who are not necessarily in receipt of FSM.**

19 **COMMUNITY LAND TRUST LTD - TRANSFER OF 78-80 NEW CHESTER ROAD, NEW FERRY**

David Armstrong, Assistant Chief Executive, introduced a report from the Director of Regeneration and Place which sought approval to dispose of the freehold interest of 78-80 New Chester Road, New Ferry, at nominal value, to New Ferry Community Land Trust Limited (CLT), following the refurbishment and renovation of the property. This followed the purchase of the property on behalf of the CLT for the purposes of carrying out a scheme of refurbishment to bring the building back into use, using the Liverpool City Region (LCR) Combined Authority Town Centre Fund.

The Chair thanked David Armstrong and all the officers involved in the work at New Ferry and commented that all the ward councillor were supportive of this proposal.

**Resolved - That the Director of Law and Governance, in consultation with the Director of Regeneration and Place, be authorised to enter into a legal agreement with New Ferry Community Land Trust Ltd which requires the property to be renovated and refurbished to an acceptable standard, following which, the freehold of the property will be transferred to the CLT at nominal consideration, subject to the recipient meeting agreed conditions.**

20 **ESTABLISHMENT OF A LOCAL PLAN WORKING GROUP**

Vicki Shaw, Head of Legal Services, introduced a report from the Director of Law and Governance on the establishment of a Local Plan Steering Sub-Committee along with a Local Plan Working Group with the same membership.

The Committee, at its previous meeting on 7 October, 2020 had resolved to recommend to Council that, as with the previous Local Plan Advisory Group,

all political groups on the Council should be represented on the new Local Plan Sub-Committee. This recommendation was unanimously approved by Council, at its meeting on 19 October, 2020. This was on the understanding that the membership of the Working Group would mirror that of the Local Plan Steering Sub-Committee.

The Local Plan Working Group would enable a continuation of the detailed consideration, guidance and support for the production of the Wirral Local Plan previously undertaken by the former Local Plan Member Advisory Group.

On a motion by Councillor Anita Leech, seconded by the Chair, it was -

**Resolved – That,**

- (1) the Local Plan Working Group be established with the Terms of Reference as attached to the Director’s report at Appendix 1, subject to an amendment to the quorum required being three and not four Members;**
- (2) the Monitoring Officer be authorised as proper officer to carry out the wishes of the Group Leaders in allocating Members of the Policy and Resources Committee to membership and substitute membership of the Local Plan Steering Sub-Committee and the Local Plan Working Group and to appoint those Members with effect from the date at which the proper officer is advised of the names of such Members;**
- (3) for clarity, both the Sub-Committee and Working Group will be time limited until the adoption of the Local Plan by the Council.**

**21 2020/21 REVENUE BUDGET MONITOR FOR QUARTER TWO (APR - SEP)**

Shaer Halewood, Director of Resources, introduced a report which provided a summary of the projected year-end revenue position as at the end of Quarter 2 (September 2020) of the 2020/21 financial year, including:

- the financial risk profile presented by the COVID-19 pandemic
- a review of pressures and savings contained within the original budget position and
- an update to the Medium Term Financial Plan.

The year-end forecast recorded as part of September’s financial monitoring activity represented an adverse variance to revenue budget of £24.074m; this comprised:

- £21.448m adverse forecast variance in relation to revenue budget, stemming largely from matters arising through the COVID-19 pandemic.
- £2.480m forecast deficit on expected capital receipts, which support the revenue budget position via flexible use of capital receipts and;
- £0.145m gap in direct COVID-19 funding against forecast requirements.

The Government had recently announced further funding for Wirral of £5.428m for a Tranche 4 allocation, and £9.3m mitigations for Sales, Fees and Charges losses, which the Council was awaiting receipt.

The Council's financial position remained challenging and to a certain degree uncertain, with work underway to develop response activity following the initiation of Tier 3 status in the Liverpool City Region whilst details of the forthcoming Spending Round were awaited in relation to 2021/22 funding.

The financial position was fluid and developing with the government having stated its continuing support to the sector. That said, the Council continued to limit spending to essential areas of service delivery only and Corporate Directors were supported to mitigate the risk of overspending.

Shaer Halewood responded to a number of comments and questions from Members and agreed that she would circulate the letter which the Chief Executive had received from the Council's external auditors, Grant Thornton, in which concern had been expressed over the Council's financial position. She acknowledged the difficulties arising from the one year budget settlement which was due to be given on 25 November. Nothing had yet been received in writing from the Ministry for Housing, Communities and Local Government on the capitalisation directive application which had been submitted in the sum of £63.5m covering this year and next, 2020/21 and 2021/22, with an indicative plan to achieve this sum over the next five years based around outcomes for residents.

During the debate on this item, Members expressed their thanks to the Director of Children, Education and Families, all his staff and the two previous Cabinet portfolio holders for Children's and Families, following the recent announcement that Children's Services had now been brought out of special measures.

Paul Boyce, in response to a Member's comment, agreed that he would circulate a response on the number of children with special needs in residential care and where they had been placed and the alternative residential provision being pursued.

On a motion by the Chair, seconded by Councillor Anita Leech, it was -

**A. Resolved - That the Policy and Resources Committee:**

- (1) notes the year-end forecast position at Quarter 2 of £24.074m adverse;**
- (2) notes the risks posed to delivering on the savings proposals within the 2020-21 budget;**
- (3) notes the impact of funding and expenditure as a direct consequence of COVID-19, including the additional funding sources which have been identified, but as yet, not received;**
- (4) notes the revisions to the Medium Term Financial Strategy (MTFS) 2020-2025.**

**B. RECOMMENDED - To Council the increased budget in relation to Covid-19 funding of £42.538m, which is for Council use and note the additional £132.793m of funds that is to be made available to the Council for onward relay to other organisations as passported funding; a total sum of £175.33m is therefore the combined Covid-19 funding being received by the Council based on current information. This recommendation supersedes the recommendation made by Policy and Resources Committee on 7 October, following the recent notification of additional funding.**

The Chair then adjourned the meeting at 7.45pm for 10 minutes.

The meeting resumed at 7.58pm.

**22 CAPITAL MONITORING QUARTER 2 2020/21**

Shaer Halewood, Director of Resources, provided an update on the progress of the Capital Programme 2020/21 at the end of September 2020. The report recommended that the Committee agree the revised 2020/21 Capital Programme of £95.1 million which took account of re-profiling, virements, additional funding requirements and grant variations identified since the Capital Programme was formally agreed on 2 March 2020.

Shaer Halewood responded to a number of comments in respect of some of the schemes to receive additional funding and David Armstrong, Assistant Chief Executive, clarified the position with regard to the reasons for additional expenditure from virements required for the West Kirby Sailing School.

On a motion by the Chair, seconded by Councillor Jeff Green, it was -

**A. RECOMMENDED –**

(1) to Council the approval of additional funding for the schemes detailed in paragraph 3.5 of the report as follows:

- Children’s System Rationalisation - £0.826m (over a three year period)
- Tree Strategy Delivery - £0.208m (over a four year period)
- Allotments Sites Expansion - £0.127m
- Birkenhead Temporary Market Pre-Development Costs - £50,000
- Concerto Development Asset Management System - £42,000 (over a two year period)
- Capitalisation of Salaries - £0.5m

(2) to Council the approval of the revised Capital Programme of £95.1 million for 2020-21, including the virements referred to in paragraph 3.7 of the report.

**B. Resolved – That this Committee agrees that the outcome of the on-going review and reprofiling of the Capital Programme is reported to members in the next quarterly capital monitoring report.**

23 **COUNCIL TAX BASE REPORT 2021/2022 (TAX BASE, DISCOUNTS AND EXEMPTIONS AND LOCAL COUNCIL TAX REDUCTION SCHEME)**

A report by the Director of Resources brought together related issues regarding the proposed Council Tax Base for 2021/22 upon which the annual billing and Council Tax levels would be set; the proposed Council Tax Discounts including Local Discounts, exemptions for 2021/22 and the Local Council Tax Reduction Scheme to be used during 2021/22. These needed to be approved by Council by 31 January 2021.

**RECOMMENDED - To Council the following:**

- (1) The figure of 94,198.6 be approved as the Council Tax Base for 2021/22 subject to the items below being approved;
- (2) The level and award of each local discount for 2021/22 be:

**Wirral Women’s & Children’s Aid**

To continue to award Wirral Women & Children’s Aid 100% discount. This remains unchanged from 2020/21.

### **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 2020/21.

### **Empty Property Discounts**

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 remain unchanged from 2020/21.

Empty Property Premium = 100% (200% Council Tax) for unfurnished properties empty for more than two years. 200% (300% Council Tax) for unfurnished properties empty more than five years. 300% (400% Council Tax) for unfurnished properties empty more than ten years.

### **Council Tax Discretionary Hardship Relief Scheme**

The Council Tax Discretionary Hardship Relief Scheme, approved by Cabinet in October 2013, continues in its current format for 2021/2022. The Scheme offers help and assistance in exceptional cases of hardship.

### **(3) Local Council Tax Reduction Scheme (LCTRS)**

The Local Council Tax Reduction Scheme, be the approved Scheme for 2021/2022. This remains unchanged from 2020/21 apart from the following:

- a. Where an entitlement to the Care Leaver Discount/Exemption has ceased, Local Council Tax Reduction to be awarded without the need for a further application where their eligibility is known.
- b. The scheme is aligned to all of the DWP's upratings and changes for Housing Benefit and Universal Credit.

## **24 TREASURY MANAGEMENT MID-YEAR REPORT 2020/21**

A report by the Director of Resources advised that the Authority's treasury management activity was underpinned by CIPFA's Code of Practice on

Treasury Management (“the Code”), which required the production of an annual Treasury Management Strategy Statement on likely financing and investment activity. The Code also recommended that Members were informed of treasury management activities at least twice a year.

The report fulfilled the Authority’s legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance.

Whilst in past years Treasury Management had generated savings against budget the COVID situation had contributed to the current forecast being:

- A projected overspend of £2.3 million on Treasury activities was presented at the midyear point, which was attributable to 2020/21 budget savings that were considered to be of a high risk of not being achieved due to implementation delays emanating from COVID response activity and significant changes in interest rates on investments.

In response to a Member’s comment, the Director agreed to supply further information in respect of where the consultation, ‘Future Lending Terms’ (paragraph 3.36 of the report) was up to.

**Resolved - That the Treasury Management Mid-Year Report for 2020/21 be noted.**

## 25 **WORK PROGRAMME UPDATE**

A report by the Director of Law and Governance advised how the Committee, in co-operation with the other Policy and Service Committees, was responsible for proposing and delivering an annual committee work programme. This work programme should align with the corporate priorities of the Council, in particular the delivery of the key decisions which were within the remit of the Committee.

It was envisaged that the work programme will be formed from a combination of key decisions, standing items and requested officer reports. The report provided the Committee with an opportunity to plan and regularly review its work across the municipal year. The work programme for the Committee was attached as an appendix to the report.

**Resolved – That the proposed Policy and Resources Committee work programme for the remainder of the 2020/21 municipal year, be noted.**

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## POLICY AND RESOURCES COMMITTEE

Friday, 18 December 2020

<b>REPORT TITLE:</b>	<b>DRAFT REVENUE BUDGET 2021/22 – PROPOSALS FOR CONSULTATION</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES (S151 OFFICER)</b>

### REPORT SUMMARY

This report is part of the Council's formal budget process, as set out in the constitution and in accordance with the legal requirements to set a balanced and sustainable budget for 2021/22.

The report provides an update on the Budget process for 2021/22 previously reported to Policy & Resources Committee on 7 October 2020.

It must be noted that the Council has applied for a capitalisation directive to mitigate the specific, unfunded financial impact associated with Covid-19. At the time of writing the report, there is no formal notification of the award of this directive, however it has been assumed it will be successful for the purposes of budget consultation. As the capitalisation directive relates only to Covid-19 pressures, it cannot be used for other pressures and as such, other savings are required to ensure Wirral can deliver a balanced budget for 2021/22.

Policy and Resources Committee must recommend a 2021/22 balanced Budget proposal to the Council for its meeting in March 2021, it is good practice for the residents of Wirral to have their say on budget proposals and so the purpose of this report is to agree the budget proposals that will go out for public consultation.

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

### RECOMMENDATIONS

That the Committee:

- 1) Approve the financial proposals for 2021/22 that will be subject to consultation and subsequent consideration by Policy & Resources Committee in February 2021.
- 2) Agree that this decision is urgent and therefore not subject to review.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 Policy and Resources Committee (P&R) is required to recommend a Budget to the Council for its meeting in March 2021. The Council has to set a budget for 2021/22 by 11 March by law. The issues detailed in this report support the recommendation which is a key step in facilitating the Policy and Resources Committee to be in a position to recommend a Budget proposal.
- 1.2 The Council's Budget supports the delivery of the Wirral Plan and is key to ensuring the Council is financially stable. Our residents and businesses expect to be informed and consulted about how services are going to be run and how their money is going to be raised and spent. The benefits of consulting with residents are:
- to improve planning, policy and decision making
  - to make better use of resources
  - to access new information, ideas and suggestions
  - to encourage greater participation in the activities of the council
  - to govern by consent (a full and fair consultation, with careful consideration of all views, can strengthen the legitimacy of the prevailing view among those people not in favour of the final decision)
  - to measure residents' satisfaction with the council
  - to shape council activities around residents' needs and aspirations

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Do nothing, however this has not been considered as Wirral Council would be contravening section 65 of the Local Government Finance Act 1992 and the Council is committed to hearing the views of the residents of Wirral.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Three critical matters influence the budget for 2021/22, these are:
- National Spending Review by Government
  - Progress of the Capitalisation Directive
  - Progress of Budget proposals through the transition year of 2020/21
- 3.2 It should be noted that the formal notification of the National Spending Review and the Capitalisation Directive are unknown at the time of writing the report and the presented figures represent best estimates based on intelligence available.

### **2021/22 Budget Gap Position**

- 3.3 The Policy and Resources Committee meeting in February will consider:
- The outcome of the consultation
  - Any final recommendations from the Policy & Service Committees

- The outcome of the Government Settlement, capitalisation directive and levies.
- The recommendation of the 2021/22 budget to Council alongside the precepts.

3.4 In October 2020, Policy and Resources Committee agreed to a five-stage transitional budget process for 2021/22. This report records the savings proposals to be presented to the public as part of that process.

3.5 At Quarter 2 (Apr – Sep 2020), the medium-term financial plan (MTFP) showed a budget gap of £14.8m in 2020/21, increasing to £60.8m in 2021/22. Since Quarter 2 additional intelligence and activity has transpired that affects the budget gap.

3.6 The key drivers of the budget gap in 2021/22 are:

- The knock-on impact of 2020/21 savings not being achieved in full, because of the re-direction of Council resources to meet the Covid-19 pandemic response.
- Demand pressures (more detail is outlined in paragraphs 3.7-3.11)

**Table 1 – Budget Gap for Financial Year 2021/22**

<b>Budget Items</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Budget Gap at Quarter 2	60.8		
Revenue Support Grant Announcement		(19.0)	
Other funding changes		6.3	
Pressures and Savings Review (3.38)		(8.0)	(20.8)
<b>Adjusted Budget Gap</b>			<b>40.0</b>
Adult Social Care precept (3%)		(4.4)	
Pressures Review		(2.1)	
Savings Proposals		(10.0)	(16.5)
<b>Further Funding Assumptions 2021/22*</b>			<b>23.5</b>

\* This figure is subject to change after formal notice of the National Spending Review and the formalisation of the Capitalisation Directive.

### **Demand Pressures**

3.7 Local data anticipates the continuing growth in Older Peoples demographic of around 3% per annum, whilst demographic growth in adults with Learning Disabilities and Mental Health issues is predicted to be around 1% over the next five years (however, it should be noted that these estimates are based upon pre-Covid19 data). The key activities being undertaken to mitigate this growth revolve around

developing solutions which support individuals to remain independent for longer, and therefore require less intensive, less expensive support. This has positive outcomes for the individuals and the services that support them. The Council is currently investing in and developing alternative care models, such as Extra Care housing and investment in assistive technology but these activities require capital investment and will take a number of years to be fully implemented. Nevertheless, these developments take place in the context of an ageing population and we expect that demand-related expenditure will remain an issue for the foreseeable future.

- 3.8 Adult Social Care provided essential support to residents throughout the COVID pandemic, with significant assistance from one-off Government grants. There is an increased risk of, potentially significant, growth in demand for care services as the impact of COVID-19 and the periods of lockdown are realised. Higher cost of care fees are also anticipated as care providers continue to face higher charges from increased PPE requirements, greater infection control measures and higher insurance costs, as well as an increased focus on their workforce pay and conditions.
- 3.9 Children and Families service is experiencing significant expenditure pressure due to increasing numbers of children needing social work support including those requiring care. The cost of care has increased due to the complexity of need and inflation driven by for-profit providers particularly in residential care. Early intervention activity is designed to prevent children needing social work support and entering the care system. This is both a more positive outcome for children and families and is less costly to the Council. However, there is always likely to be a need for care, particularly residential care. Proposals, which are currently in the feasibility stage, are in development with Liverpool City Region to provide a child-focussed, long term sustainable residential portfolio, where outcomes and resourcing can be managed. The positive impact of these proposals are expected to begin to materialise in 2021/22, and have a long-lasting, positive impact.
- 3.10 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 16 January 2020. In overall terms the Transport Levy has increased from £95.4m to £97.4m, representing an increase of 2.1%, with Wirral's share of the costs increasing by approximately £0.4m to £22.1m. This increase reflects some of the financial challenges faced by Merseytravel, primarily arising from pay and contract inflation and reductions in Special Rail Grant.
- 3.11 The Merseyside Recycling & Waste Authority will meet on 5 February 2021 to agree the final Levy for 2021/22. However, the proposed Levy for Wirral is £17.6m, representing an increase of £0.2m (1.4%) on the 2020/21 charge of £17.4m and this value has been included in the latest budget proposal for 2021/22.

### **MHCLG Capitalisation Directive**

- 3.12 At the 7 October 2020 meeting, the Policy and Resources Committee supported the formal application to MHCLG to request a capitalisation directive from HM Treasury on the Council's behalf. At the time of writing the report, there is no formal notification of the award of this directive, however it is assumed it is successful for the purposes of budget consultation. As the capitalisation directive relates only to Covid-19 pressures, it cannot be used for other pressures and as such, other

savings are required to ensure Wirral can deliver a balanced budget for 2021/22. This request represents an exceptional action taken to mitigate a short-term budget gap, which poses long term financial risks, caused by the Covid-19 pandemic.

- 3.13 There are 3 core conditions associated with the application of this directive:
- The Council should make a single request, not separate and distinct annual requests
  - The Council does not delay any difficult decisions in relation to delivering efficiencies
  - The Council must demonstrate a robust 5-year recovery forecast that delivers a financially sustainable position; this is included in Appendix 2.
- 3.14 The original request was to capitalise £39.6m Covid-19 pressures in 2021-22. Following a formal external review, a revised position of £34m has been agreed in principle. The areas that are included within the request for the capitalisation directive are:
- Additional demand/care sector viability within Adult Social Care
  - Additional Homelessness costs
  - Special Educational Transport cost increases
  - Unachievable savings carried forward from 2020/21 due to lack of capacity
- 3.15 It should be noted that failure to secure the Capitalisation directive may result in the formal issue of a S114 notice.
- 3.16 It should be noted that many of the benefits announced in the spending review potentially reduce the value of the capitalisation directive rather than reduce the need for savings or offset pressures, although it has been assumed that the Social Care precept will be ringfenced to address social care activity and not reduce the value of the Capitalisation Directive.

## **Spending Review**

- 3.17 In September 2019, the Government announced the Local Government Finance Settlement for 2020/21 budgets, in the form of a single year Spending Round. A multi-year Spending Review was expected to follow in 2020, however the economic uncertainty caused by the Covid pandemic has caused the Government to halt its long-term Comprehensive Spending Review and a single year Spending Round was announced on 25 November 2020.
- 3.18 This single year Spending Round forms the basis for updating the medium-term financial plan (MTFP) and sets out a 4.5% increase in core spending power over Government funding for Local Authorities. The increase in core spending power includes additional funding for social care, £300m as a social care grant has been announced and £700m from a potential 3% social care precept. This additional funding is not expected to fully mitigate the continuing pressures in social care and is anticipated to be allocated to new pressures in 2021/22.

3.19 Details of how the announcement will affect the specific funding settlements for individual Local Authorities are not expected to be available until 17 December. However, some high-level information is provided below:

- Councils will continue to have the power to increase council tax by 2% without requiring a referendum.
- Upper tier Councils will be able to apply a levy a 3% adult social care precept (previously 2%). In addition to this there is a commitment to a national £300m social care grant.
- Business rate multipliers, which are applied to the Rateable Value of a business to calculate their Business Rates liability, will be frozen in 2021/22 with councils being compensated for the loss in business rate income. The government has decided not to proceed with a reset of business rates baselines in 2021/22 and will maintain the existing 100 per cent business rates pilots, which Wirral forms part of.
- New Homes Bonus will be sustained in 2021/22 albeit without legacy payments
- The government will cut Public Works Loan Board (PWLB) lending rates to gilts +100 basis points (bps) for Standard Rate and gilts +80bps for Certainty Rate taking it back to its pre adjustment level. There are currently no plans to increase the headroom of PWLB borrowing.
- Extension to the Sales, Fees and Charges compensation scheme to June 2021
- Compensation scheme supporting Collection Fund losses in 2020/21 (up to 75% of the loss).
- The schools' budget will be boosted by £7.1 billion by 2022-23 compared to last year's funding levels, with a £2.2bn increase from this year to the next.
- A new Levelling Up Fund worth £4 billion will be launched for England, to invest in local infrastructure with "a visible impact on people and their communities" and to support the economic recovery from Covid-19. Bids that aim to regenerate parts of the country that have received relatively little government investment in recent years will be prioritised.
- Head of Terms have been published for a Shared Prosperity Fund, averaging £1.5 billion per year, with further details expected in Spring 2020. Additional monies will also be provided for pilot programmes in 2021/22.
- Central government will also provide £254m of additional funding to tackle homelessness and rough sleeping, to pay for accommodation, substance abuse and frontline support services.

### **Impact on Wirral**

3.20 Although draft the Local Government Financial Statement is not expected until 17 December, an estimate has been made, where possible, as to the financial impact of the Spending Review on Wirral in 2021/22.

3.21 To date, Wirral's Medium-Term Financial Plan (MTFP) has assumed a 1.99% standard increase in Council Tax. Applying the full 3% adult social care precept in addition to this would result in an additional £4.4m in 2021/22, which has been built into the budget assumption.

3.22 Wirral currently receives £11.3m in social care grant. Although the distribution method is not yet known for the additional £300m, if distributed to local authorities using existing proportions, Wirral would receive an additional £2.4m in 2021/22. It is

anticipated that this funding would be provided to offset new social care pressures in 2021/22.

- 3.23 It is currently assumed that council tax and business rates losses in 2020/21 resulting from the Covid-19 pandemic will amount to £10.6m with the budgetary effects of which to be recognised over 3 years. The Collection Fund compensation scheme from central government reduces the 2021/22 pressure by £3.0m.
- 3.24 The MTFP currently assumes a pressure of £9.3m from the loss of sales, fees, and charges in 2021/22 resulting from the pandemic. However, the extension to June 2021 of government compensation for this will reduce this pressure. The details have not yet been received for this but an estimation of a £2.75m has been made.
- 3.25 Wirral is also expected to benefit by £0.3m from the extension of the New Homes Bonus grant and Public Health funding remaining flat in real terms.
- 3.26 2021/22 Budget assumptions currently include a £1.1m increase in pay and pension costs in 2021/22 for the 3 year pay award previously agreed. Clarification is being sought on how the announcement of a public sector pay pause impacts a pay award already in place. If it is delayed by a year, a £250 pay increase for the lowest paid (under £24k per year) workers would reduce this pressure by £500k.

### **2021/22 Transitional Budget and Proposals**

- 3.27 In October 2020, Policy and Resources Committee agreed to a five-stage transitional budget process for 2021/22. This report includes the proposals to be presented to the public.
- 3.28 The pathway of the proposals to this point includes:
- Officer presentation of budget proposals for 2021/22 to individual Policy and Service Committees, in the form of workshops during October, November and the beginning of December.
  - Policy and Service Committees debated and discussed these proposals considering:
    - Impact on residents
    - Impact on the workforce
    - Impact on Wirral as a place
    - Level of risk
    - Impact on the future ability of the area to generate income or avoid future pressures
    - Whether the service is statutory
    - Where the service is non-statutory, what beneficial outcomes it generates
- 3.29 Committee members were encouraged to identify and submit their own ideas for proposals for Officers to work up. The usual process for Committees would be to identify and submit their own ideas for budget savings to form part of the budget setting process, however for this transition year, Officers have submitted potential

savings to Committee members to consider initially and any other proposals they also wish to consider have been noted for review by P&R.

- 3.30 The feedback from the individual committees was provided to Policy and Resources members in a series of workshops in November and December, leading to a suite of proposals agreed by the Policy and Resources Committee to go out for public consultation.

### **Savings Proposals**

- 3.31 There are a number of savings which are embedded in the budget, either as part of demand management, or as part of ongoing activity. These items are included within the budget gap calculation and do not require any consultation, more detail can be found in the MTFP extract in Appendix 2.
- 3.32 Children, Young People & Education, £3.4m. These are savings related to activity where managed movement of children from higher cost to lower cost/better outcomes and ongoing preventative measures designed to reduce the need for social work interventions.
- 3.33 Adult Care and Health, £4.0m. These savings are a result of medium-term financial planning enabling vulnerable adults to retain independence, including improvements to housing and use of technology and ongoing efficiencies within provider contracts.
- 3.34 Economic Regeneration & Development, £1.6m. These savings relate to forecast increased income from regeneration projects e.g., new taxation and joint venture income.
- 3.35 Environment Climate Emergency & Transport, £0.1m. These saving relate to the continued energy savings from the installation of LED in street lighting.
- 3.36 Tourism, Communities, Culture and Leisure, £0.2m. Energy and utility savings as a result of supporting the response to Covid-19 across Wirral.
- 3.37 Policy & Resources, £1.8m. Permanent full year impact of savings achieved in 2020/21 as a result of staff working from home in response to supporting the Covid-19 pandemic.
- 3.38 Included within the 21/22 budget gap are a range of pressures arising from increasing demand, changes to legislation, contract and levy inflation, the ongoing impact of savings not achieved in 2020/21 and the ongoing consequential impact of Covid-19. These pressures by directorate are included in Appendix 2. Since Quarter 2, these pressures have been reviewed and reduced by £2.1m as shown in table 1.
- 3.39 To support the Covid-19 emergency, the Government has provided over £42m direct and over £132m passported funding to the Borough. This funding has been used to directly support the response to the front line.
- 3.40 The proposals below are those proposed for public consultation and communication, more detail is in Appendix 1.

**Table 2 – Proposals for Public Consultation Summary**

Children, Young People & Education	£0.3m
Environment Climate Emergency & Transport	£2.5m
Tourism, Communities, Culture and Leisure	£2.3m
Economic Regeneration & Development	£0.4m
Housing	£0.5m
Policy and Resources	£4.0m
<b>2021/22 savings proposals total</b>	<b>£10.0m</b>
Adult Care and Health – Wirral Evolutions	*£0.5m
<b>Combined total</b>	<b>£10.5m</b>

\*This item was a saving proposal in 2020/21 that was delayed by Covid-19 and has therefore been presented for public consultation alongside the 2021/22 proposals.

### **One-off Funding**

3.41 The Council will use one-off funding for one-off items of expenditure that does not form part of a permanent budget. This one-off funding is usually realised from four areas:

- General Fund Balances – funding for unforeseen expenditure that could not be predicted. The level of General Fund balances is £10.7m
- Earmarked Reserves – specific funding set aside for on-off projects that will take place at a known time in the future. The level of Earmarked Reserves (excluding Schools) is £59.9m as at April 2020/21
- Capital Receipts – arising from sales of assets and can be used to support transformation activities under the Flexible Use of Capital Receipts guidance. The value anticipated from Quarter 2 reporting to be used in 2020/21 is £2.020m.
- Grants or Contributions – received generally from external bodies for specific use for one-off projects.

3.42 It is not generally viable to use one-off funding to support permanent expenditure however the Council has been applying this process over a number of years due to the difficulty in being able to balance the budget. This has been an area of concern recently for the Council's External Auditor, Grant Thornton who have expressed this concern in a letter to the Chief Executive. This is included in Appendix 3

3.43 This letter has been shared with the Member of this Committee previously and with the Members of the Audit and Risk Management Committee. The Chief Executive has provided a response to the Council's auditor and is included in Appendix 4.

3.44 In the 2020/21 Financial Resilience Plan, from 2021/22 there was no further planned use of one-off funding to support any permanent expenditure within the Council's budget as it is recognised that this is not a sustainable way to balance the budget nor one that the Council ordinarily plan for.

3.45 As part of the capitalisation directive application it has been indicated by HM Treasury to MHCLG that the Council should maximise all available funding, including reserves and other one-off funds, to balance the budget. However, the External Auditors have recommended that reserves should not be used to balance the budget.

#### **4.0 FINANCIAL IMPLICATIONS**

4.0 This report is focussed on the budget setting exercise for 2021/22 and, as such, financial implications form the basis of the report as a whole.

#### **5.0 LEGAL IMPLICATIONS**

5.1 The Council is required to agree a budget for 2021/22 by March 2020. 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.

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. This is in addition to the personal duty on the Chief Finance (Section 151) Officer to make a report, if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

5.3 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.

5.4 Consultation must take place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. 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.

5.5 It should be noted, however, that this exercise must also form the essential preliminary consultation under section 3 of the Local Government Act 1999 and section 27 of the Children and Families Act 2014, as well as due regard under section s.149 of the Equality Act 2010 (the public sector equality duty) and section 11 of the Children Act 2004 if consultation is necessary, where there is any significant,

sufficiently focussed and, in financial terms, apparently rigid relationship of spending to a specific proposal, even if taken as part of the setting of a budget.

- 5.6 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.
- 5.7 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.
- 5.8 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.
- 5.9 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.
- 6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**
- 6.1 The Communications team will deliver the consultation exercise as part of their usual work plan.
- 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 A key risk to the Council's financial plans is that funding and demand assumptions in particular can change as more information becomes available. As such, the MTFP is regularly reviewed and updated as part of routine financial management.
- 7.3 There is a risk that external factors could impact on agreed savings, which means that may not be delivered or may be delayed. Progress on delivery of agreed savings will be monitored using Budget Monitoring reports presented to P&R Committee. As such the Council continues to hold a General Fund reserve of

£10.7m. This represents a minimum level of contingency to support the organisation if savings cannot be delivered and no other options for mitigation can be identified.

7.4 Failure to secure the Capitalisation directive or other government support may result in the formal issue of a S114 notice.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 Views are being sought on the Council's future budget and spending priorities, which will be delivered through a programme of community and stakeholder consultation.

8.2 The public consultation will begin on 21 December 2020 and finish on 22 January 2021. The objectives of the public consultation relate to:

- **Understanding:** Stakeholders understand the scale of the budget challenge, and how we are going about overcoming it
- **Engagement:** Stakeholders feel able to contribute and that their views are valued and are being considered
- **Support:** Stakeholders support the budget proposals, appreciate the work which has been done to involve them, and understand the reasons for budget decisions

8.3 The audiences for the communications are: residents, businesses, young people, staff, MPs, unions and the media.

8.4 The Council has also worked with staff and Trade Unions where required to ensure obligations in relation to statutory staff consultation is delivered appropriately and within agreed guidelines.

8.5 Should any financial proposals agreed by Policy and Resources Committee require specific consultation, the Council will commence appropriate consultation directly with any service users and stakeholders who are affected and will feedback their views before final decisions are taken.

## **9.0 EQUALITY IMPLICATIONS**

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

9.2 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.

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

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### APPENDICES

Appendix 1 – Savings Proposals

Appendix 2 – Medium Term Financial Plan Extract

Appendix 3 – Audit of Accounts 2019/20 – Financial sustainability, Grant Thornton

Appendix 4 – The Chief Executive’s response to the Council’s auditor letter on financial sustainability

### BACKGROUND PAPERS

2021/22 Budget Transition Process (Policy and Resources Committee 7 October 2020)

Local Government Association: Consulting Residents

### SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
Policy & Resources Committee	7 October 2020
Council	19 October 2020



## Appendix 1 – Savings Proposals

<b>Children, Young People &amp; Education Committee</b>		
<p>Children’s Services in Wirral have made considerable improvements in recent years after being rated “inadequate” back in 2016. The improvements are in part because the authority made the decision to invest in the service and because of the hard work and dedication of those who work there.</p> <p>A family’s history should not and will not impact on the ambition of children in Wirral. We are focussed on breaking the cycle of poor outcomes and low ambition, raising the aspirations of every child in Wirral – regardless of where they live or their background. Our job is to encourage, and inspire, and we are relentless in pursuit of that goal. We will enable families to bring up children in safe, happy and secure environments.</p>		
OPTION	VALUE	NARRATIVE
Explore reduction in Youth Provision	£200,000	Activities for young people can help with educational outcomes and prevent child criminal exploitation, child sexual exploitation and anti-social behaviour. We are looking at exploring a reduction in Youth Provision, which would result in a <b>potential saving of £200,000</b>
Modernisation & Social Care combined: Staff Efficiency Savings	£102,000	Children's Services includes preventative and support services that are both statutory and non-statutory and which support each other and are closely integrated. Their work includes ensuring vulnerable children who are being harmed or abused are protected and kept safe and families get the help they need. We are looking at combining the Modernisation & Social Care offer, which would result in a <b>potential saving of £102,000</b>
<b>Environment, Climate Emergency and Transport Committee</b>		
<p>As a council we are supporting active travel networks that work for all, increased recycling and reduction in the overall collected general waste (non-recycling) per household. We are focused on increased our own energy efficiency in Council-owned buildings and look to increase in the number of wildflower verges in Wirral.</p> <p>The council’s budget situation means all services which are not legally required to be provided are being reviewed to find savings. It may be that not all the options being put forward will be taken up, but it is vital we look at everything we do to ensure the council is fit for the future.</p>		

OPTION	VALUE	NARRATIVE
Review of the Neighbourhood Services Directorate	£350,000	To carry out a fundamental review of the newly created Neighbourhood Services Directorate, to drive efficiencies and realign service provision and deliver the objectives of the Wirral Plan. The existing Directorate provides a wide range of services and functions, some of which are statutory. However, there is a need to bring services together in order to sharpen focus and develop a blended and combined approach to create and protect an environment our residents can be proud of. The review will generate better, more focused and aligned Neighbourhood Services to residents, as services are brought together to provide joined-up service provision. It is expected this could lead to a <b>potential saving of £350,000.</b>
Additional and increased parking charges: Whole scale car parking review	£1,000,000	It is vital the council maximises its income where possible to ensure frontline services can be delivered. Furthermore, parking charges can help control car use in busy locations, contributing to the council's climate emergency declaration outcomes by encouraging active travel and public transport alternative transport modes, and potentially help address inequality across the borough by not unduly benefitting car owners. It is proposed that a wide ranging and review of car parking charges looking at the options to increase parking charges and add charges where appropriate. It is anticipated this would provide <b>additional income to the council of £1,000,000.</b>
Stopping School Crossing Patrols	£276,300	The School Crossing Patrol Service is not a statutory council function – i.e. the council is not legally obliged to provide this service. By ceasing the School Crossing Patrol Service the council <b>would save £276,300.</b>

Reduction in grass cutting and maintenance of roadside verges and all Parks and Open Spaces	£250,000	A reduction in grass cutting and maintenance of roadside verges and all parks and open spaces would mean changes such as on roadside verges a reduction in the cutting and maintenance schedule, only edge cuts would be carried out at suitable grass panels/verges which are over 200sqm. Operators would only cut around pathways and alongside roads leaving the middle/centre to grow long. There would also be a significant enlargement of the wildflower meadows. For all parks and open spaces across the borough there would be reduction in the grass cutting frequencies and where appropriate and possible at the grass interface with suitable boundaries for example areas of woodland the grass would be allowed to grow and effectively re-wild or be cut at a much reduced capacity. This option could lead to a <b>saving of £250,000.</b>
Amenity space and grass verge maintenance cessation	£100,000	Ceasing maintenance (grass cutting and litter removal) at 45 amenity green spaces and 85 grass verge sites, possibly planting of trees, re-wilding or where appropriate creating new allotments. Sites have been identified where reduced maintenance would have the least impact on the local area. Stopping amenity space and grass verge maintenance could lead to <b>savings of £100,000.</b>
Closure of Public Conveniences	£142,000	The council maintains nine public convenience sites at mainly in coastal areas. These include Harrison Drive New Brighton, Moreton Common, Moreton Cross, West Kirby Marine Lake, West Kirby Concourse (outside), Parade Gardens Hoylake, Meols Parade, New Ferry and Thornton Hough. Closure of these would lead to a <b>saving of £142,000.</b>
3 weekly collection of general rubbish	£180,000	Reducing the collection frequency of green general rubbish bins from once every two weeks, to once every three weeks while maintaining the grey recycling bin collection at every two weeks. This proposal could lead to a requirement to collect additional packaging (e.g. plastic pots, tubs and trays, tetra pack type cartons and aerosol cans) to be permitted in the grey recycling bin and/or a separate food collection to deal with the reduction

		in general waste disposal capacity. The option could mean a <b>saving of £180,000.</b>
Contract Efficiency Savings with BIFFA	£75,000	The refuse collection and street cleansing contract the Council has with Biffa has been in place for over 10 years and following a contract extension will run until 2027. Over the course of the contract a significant amount of efficiencies have been taken, particularly at the time of the extension. However, a specific requirement of the terms of the extension was for both parties to pursue further efficiencies. It is estimated this could result in a <b>saving of £75,000.</b>
Income generated from establishing targeted and discretionary environmental enforcement	£150,000	The Council's Enforcement Policy was amended to remove the zero-tolerance approach but it is possible to re-establish this robust approach. Environmental crime has increased during the Covid-19 lockdown. The return to zero tolerance would involve education and engagement with residents and targeted to high profile locations where there has been significant anti-social behaviour and environmental crime. Establishing targeted and discretionary environmental enforcement could lead to an <b>income of £150,000.</b>
<b>Tourism, Communities, Culture &amp; Leisure Committee</b>		
<p>The culture and visitor economy is a valuable source of income to the Wirral economy, however, supporting it is not a legal duty of the council. The work we do helps support local employers to succeed, to win more business and grow – creating more jobs and opportunities for local people. We will help make sure our residents have the skills and education they need to secure their best possible futures.</p> <p>We aim to develop strategic facility plan for Wirral that is fit-for-purpose - right activities in the right places that are accessible and meet the needs and aspirations of the people they serve.</p>		
<b>OPTION</b>	<b>VALUE</b>	<b>NARRATIVE</b>
Culture and Visitor Economy savings	£620,000	A major reduction in the council's culture and visitor economy service achieved through staff savings and deleting the events budget. A small resource would remain within the regeneration team to deliver the culture elements of the regeneration programme, plus marketing resource will be

		re-allocated to the corporate communication team to manage the upkeep of visitor economy website and marketing, including involvement in the Liverpool City Region joint work on visitor economy. <b>Savings of £620,000</b> could be achieved in the council budget by reducing this service.
Close Europa Pools	£640,000	Birkenhead is about to undergo major regeneration which will include looking at the best options for future leisure provision. The saving which would be achieved by closure of Europa Pools – which requires one of the highest levels of support of the borough's leisure centres, <b>would be £640,000.</b>
Pause re-opening of Woodchurch Leisure Centre	£322,000	Some of our leisure centres are being used for Covid vaccinations, while refurbishment can only be done while they are closed. Woodchurch is one of the smaller Leisure Centres with one of the lower levels of usage with the second highest level of financial support. Delaying the re-opening of Woodchurch Leisure Centre would <b>save the council £322,000.</b>
Review of 4 Golf Courses	£273,000	The Council operates four golf professional courses, which is a non-statutory service and there are a number of private courses throughout the Borough. In recent years, significant work has been undertaken to identify alternative delivery models for golf provision, however none of these solutions were pursued. Interest remains from private sector operators to run and operate Council owned courses under a lease arrangement. A review of options around the provision of council owned courses will be carried out. Potential closure/transfer of council operated golf courses could <b>save £273,000</b>
Review of Museums Service	£327,500	This option is for a full review of the council's museum service provision which includes the Williamson Art Gallery & Museum. A separate exercise would be required to establish the residual cost of maintaining any

		buildings mothballed by this proposal and a decision taken as to what to do with the historic collections. Retaining the collections will attract an annual maintenance cost of approximately £50,000 per annum. Closure of the museums service would <b>save £327,500</b> from the council budget per year.
Royden Park Commercial Development - Phase 1	£80,000	This proposal would develop elements of Royden Park with income generating services, providing significant environmental and social outcomes. The main element is a high ropes aerial park which will be situated adjacent to the new overspill car park. An external partner will be sought to fund, design, plan, construct and operate the park on a turnover share/lease agreement. This option could see <b>income to the council of £80,000.</b>
<b>Economy Regeneration &amp; Development Committee</b>		
<p>Our plans for economic growth are about encouraging inclusive growth, where the benefits are felt by every resident, creating opportunities for local people, and inspiring ambition. Prosperous communities are happier, healthier and better places to live. People want the chance to get a good job, and live in a nice home on a clean, safe street. A successful local economy – built on these inclusive principles – helps deliver that. Attracting investment to our borough creates good jobs for our residents. It helps people improve their skills, improve their prospects and raise the aspirations of their whole family. It's about helping everyone in the borough to become better off and live more comfortably.</p> <p>The work we do helps support local employers to succeed, to win more business and grow – creating more jobs and opportunities for local people. We will help make sure our residents have the skills and education they need to secure their best possible futures. We work side-by-side with the independent traders who keep our high-streets alive, helping them adapt to modern trends.</p>		
<b>OPTION</b>	<b>VALUE</b>	<b>NARRATIVE</b>
Birkenhead Market Restructure	£240,000	Restructuring staffing arrangements to better serve delivery will ensure Birkenhead Market can drive forward its redevelopment. It is proposed staffing is reduced over 2/3 years in tandem with the development and relocation of the market to the temporary site. A restructure of Birkenhead Market could result in <b>savings of £240,000.</b>

Budget Allocation for DDA	£200,000	The majority of public buildings within the Authority's portfolio are Disability Discrimination Act (DDA) compliant. As a result the works allocated to the budget for building works in relation to people with a disability accessing council buildings over the last few years has greatly reduced. If future works are required these will be covered by the general building code. The removal of this budget will not have any detrimental effect on access to council building for people with a disability as any unforeseen works will be covered within the property code. This proposal could <b>save £200,000</b> .
<b>Housing Committee</b>		
<p>For most people, the thing which is most important to them is what they see when they open their front door. They want to see a clean street, which is well maintained and attractive. They want to live in a place which is free of anti-social behaviour and crime, and to be able to take an active role in making their community a better place to live.</p> <p>Our job is to help make this happen. The everyday services people want the most – street cleaning, tackling dog-fouling, road maintenance, streetlights, grass-cutting – will be delivered to the best possible standard. Almost as importantly, we will be responsive: if a resident asks us something, we will answer – quickly, clearly and with empathy. We'll also tackle the growing problem of rough sleeping and homelessness. In Wirral, people will never have to spend a second night outside. We will redouble our efforts in working with these vulnerable people and we will keep them safe. We will ensure people have a good standard of housing.</p>		
<b>OPTION</b>	<b>VALUE</b>	<b>NARRATIVE</b>
Cease Support for Community Alarms	£500,000	The Community Alarm Service offers a low level support service to aid independent living and reduces the burden on social care and health services. The option proposes the removal of an annual programme of support used to meet the shortfall for low income and older people households, which could result in a <b>saving of £500,000</b>
<b>Adult Care and Health Committee</b>		

<p>In Wirral we want all our residents to have a good quality of life. Good health and wellbeing is key to this and achieving that is more than about health services. A good start in life, education, decent work and housing, the environment in which we live and strong and supportive relationships all play a part.</p> <p>We're proud of our reputation that people tell their story once, to one healthcare professional, and they will design a personalised care package to meet those needs. Our system is easier to access, it is better value, and it provides better care.</p> <p>Wirral is a place where older people are treated with dignity and respect, and where having a disability is never a barrier to leading a full and fulfilling life. We are an accessible borough, which welcomes diversity and champions inclusion and social cohesion. Where people need extra help to stay healthy, we commission outstanding services to help people live more healthily.</p>		
OPTION	VALUE	NARRATIVE
Wirral Evolutions review of day services for people with Learning Disabilities	£500,000	This option relates to a service review with the aim of modernising the current operating model and reduce the associated operating costs of delivering day services for people with Learning Disabilities. The review's aim is to manage the cost of current provision by service changes that could lead to <b>savings of £500,000</b>
<b>Policy and Resources Committee</b>		
The Policy & Resources Committee oversees all the council committees and its membership includes chairs of the other key committees on the council which oversee specific service areas. Options for savings specifically overseen by the P&R Committee include Resources & Law/Governance Directorates and Council-wide options.		
OPTION	VALUE	NARRATIVE
Suspension of individual Member Ward Budgets	£250,000	Individual councillors in each ward in Wirral are able to allocate a share of the "ward member budgets" to support local objectives. The funds are allocated to local community organisations, charities, statutory bodies, and businesses to improve the well-being of the local area, its environment or economy. It is proposed to suspend this for the next financial year which will <b>save £250,000</b> .
One Stop Shop Service Reduction	£98,000	Wirral's One Stop Shop Network has reduced its staffing in recent years in line with a reduction in visitors. Since 2015/16 visitor numbers have reduced by over 40% across the network. This has coincided with an

		increase in e-citizen accounts which enable residents to access Council services online through mywirral.gov. A further One Stop Shop reduction could lead to a <b>saving of £98,000</b> .
Restructure of Revenues & Benefits	£150,000	A review of the Revenues and Benefits service to identify savings through a new staffing structure. Efficiencies will be generated by reconfiguring teams within the service and staff reduction will be managed through natural wastage and deleting vacant posts. These efficiencies will be delivered through restructuring teams to optimise resources and there will be no direct impact on service provision. It could achieve a <b>saving of £150,000</b>
Business Change Service Reduction	£670,000	The Programme Management Office is responsible for defining, resourcing and implementing business change through a team of project management professionals deployed across the business. The team has also been providing significant capacity to the Council's Covid 19 emergency response and recovery. This option would reduce the service budget by 15% resulting in reduced capacity to deliver business change. The proposed <b>saving under this option would be £670,000</b> .
New Staffing Structure in IT Services	£618,000	Digital (IT Services) provides a number of services for Council including: Support and security of the IT infrastructure and all Council applications, management of the Council's data both physical and electronic formats, Records Management and Archives. This option provides a cost saving through a reduction of staff across Digital (IT Services) to contribute to the financial challenges currently being faced, and could result in a <b>saving of £618,000</b>
Centralised Print Process	£157,000	The Council currently has a managed print contract which provides the majority of printers across the council (approximately 200 devices). The option would remove all printers from across the Council and create a centralised print service to support any printing requirements. This

		centralised print service would be created by merging the Print Services team (currently a traded service) with Distribution Services. This could result in a <b>saving of £157,000</b> .
Business Support Unit - Staffing Reduction	£237,000	The Business Support Unit provides a number of services for the council including: postal services, support of the revenues and benefit system, front desk services for some buildings, management of customer feedback and management of p-cards, mobile phones and travel loans. This option would reduce cost through reduction of staff across the Business Support Unit (BSU) resulting in a <b>saving of £237,000</b>
Hardship fund and reduction in bad debt provision	£1,000,000	As part of the government's support for Covid-19, Wirral received £3.9m Hardship Fund to support council tax payers. It has been used to credit working age Local Council Tax Support claimants with a discount on their 2020/21 Council Tax bill. As at 31st August 2020, £1.5m of the fund has been used, and is available to claim up to the end of March 2021, when the remaining balance will then be known. It is proposed to use the remaining balance to clear old outstanding Council Tax arrears. This will reduce the bad debt provision requirement, and therefore improve the estimated year end Council Tax position. It will <b>save the council £1,000,000</b>
Contract Management & Commissioning	£350,000	This option proposes reviewing the Council's commissioning and contract management model over the next 18 months in line with approaches that have been adopted in other authorities. LGA research/benchmarking have been considered and applied to Wirral's context and budget. It could result in a <b>saving of £350,000</b>
Apprenticeships	£148,000	This option proposes moving the Council's workforce strategy towards an Apprenticeship first model. This would mean that as new vacancies arise, there is a strong emphasis on using apprenticeships to fill these. This could lead to <b>savings of £148,000</b>

Traded Services Review	£270,000	<p>A review is currently being undertaken to assess the effectiveness of Council delivered traded services to ensure they provide value for money. This option represents a target to deliver improved commercial activity, which could be realised through a variety of different approaches including cost efficiencies, modifying or ceasing services or marketing services in a revised manner, for example with package deals to improve take-up rates. This could result in a <b>saving of £270,000</b></p>

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## Appendix 2 – Medium Term Financial Plan Extract

<b>MEDIUM TERM FINANCIAL PLAN</b>					
<b>BUDGET GAP OVERVIEW</b>	<b>21-22</b>	<b>22-23</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>20-21 Budget Requirement / Baseline</b>	<b>320.7</b>	<b>338.3</b>	<b>321.3</b>	<b>322.3</b>	<b>327.4</b>
<b>Pressures:</b>					
Regeneration & Place	1.5	0.3	0.4	0.4	0.4
Resources	1.0	-	-	-	-
Legal & Governance	0.2	-	-	-	-
Neighbourhoods	1.7	0.5	2.3	0.5	0.5
Childrens	3.0	3.2	2.2	2.2	1.8
Adult Care & Health	12.1	0.3	6.2	6.2	6.2
Corporate	7.6	4.6	5.8	5.5	3.2
Temporary savings from 2020/21 to be reversed in 2021/22	2.7	-	-	-	-
<b>Total Pressures/Investments</b>	<b>29.8</b>	<b>8.9</b>	<b>16.9</b>	<b>14.8</b>	<b>12.1</b>
<b>Savings:</b>					
Regeneration & Place	(1.6)	(2.8)	(1.9)	(0.6)	(3.4)
Resources	(0.5)	(1.9)	0.5	(0.4)	(1.1)
Legal & Governance	(0.0)	0.1	-	-	-
Neighbourhoods	(1.5)	(1.4)	(0.9)	(0.4)	(0.3)
Childrens	(3.4)	(4.8)	(2.4)	(1.5)	-
Adult Care & Health	(4.0)	(4.0)	(5.0)	(4.0)	(4.0)
Corporate	(1.3)	(10.9)	(6.3)	(2.8)	(4.1)
<b>Total Savings</b>	<b>(12.3)</b>	<b>(25.9)</b>	<b>(15.9)</b>	<b>(9.7)</b>	<b>(12.8)</b>
<b>Total Budget Requirement</b>	<b>338.3</b>	<b>321.3</b>	<b>322.3</b>	<b>327.4</b>	<b>326.7</b>
<b>Funded By :</b>					
<b><u>National Non Domestic Rates:</u></b>					
Business Rates Income	(72.3)	(73.4)	(74.6)	(75.9)	(77.1)
Business Rates Section 31 Grant	(12.8)	(13.0)	(13.2)	(13.4)	(13.7)
Top-Up Grant	(34.5)	(35.1)	(35.7)	(36.2)	(36.8)
Better Care Fund (BCF)	(18.8)	(19.1)	(19.4)	(19.7)	(20.0)
<b>Business Rates</b>	<b>(138.4)</b>	<b>(140.6)</b>	<b>(142.9)</b>	<b>(145.2)</b>	<b>(147.6)</b>
<b><u>Council Tax:</u></b>					
Council Tax base position	(148.9)	(152.2)	(156.7)	(161.3)	(166.1)
Annual increase in number of properties	(0.4)	(1.5)	(1.5)	(1.5)	(1.6)
Inflation	(3.0)	(3.0)	(3.1)	(3.2)	(3.3)

	<b>(152.2)</b>	<b>(156.7)</b>	<b>(161.3)</b>	<b>(166.0)</b>	<b>(170.9)</b>
Council Tax surplus - 19/20 - one-off impact in 20/21	-	-	-	-	-
<b>Council Tax</b>	<b>(152.2)</b>	<b>(156.7)</b>	<b>(161.3)</b>	<b>(166.0)</b>	<b>(170.9)</b>
Collection Fund shortfall	4.0	3.5	3.1	-	-
New Homes Bonus	(0.1)	(0.1)	-	-	-
Social Care Support Grant	(11.3)	(11.3)	(11.3)	(11.3)	(11.3)
Capital Receipts	(0.4)	(6.2)	-	-	-
<b>Total other funding</b>	<b>(7.7)</b>	<b>(14.0)</b>	<b>(8.1)</b>	<b>(11.3)</b>	<b>(11.3)</b>
<b>Total Funding</b>	<b>(298.3)</b>	<b>(311.4)</b>	<b>(312.4)</b>	<b>(322.5)</b>	<b>(329.8)</b>
<b>Total Budget Gap</b>	<b>40.0</b>	<b>9.9</b>	<b>10.0</b>	<b>4.9</b>	<b>(3.1)</b>

Paul Satoor Chief Executive  
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3 November 2020

Dear Paul

## **Wirral Council – Audit of Accounts 2019/20 – Financial sustainability**

I write further to our discussion regarding the Council's financial position.

### **Background**

It is pleasing to note that the Council has acknowledged its financial challenges and has taken positive steps to manage them. In its medium term financial plan ('the plan') and its financial resilience strategy the Council sets the financial challenge facing it and highlights a funding gap of almost £30m a year for each of the next five financial years. While acknowledging the challenge 'the plan' clearly articulates the Council's response and sets out a programme of:

- Income generation – by investing in projects to create economic and housing growth, which in turn will generate additional business rates and council tax for the council
- Delivering Leading Edge Services – finding new ways of delivering services
- Ensuring Efficiencies – by challenging every pound spent
- Empowering Communities – by encouraging people to become independent and ensuring opportunities for SMEs.

This focus on its finances has been supported by a change in governance with the new committee system and the introduction of new political and executive leadership. In addition, I note the Council's ambitious plans for regeneration and services. It is positive that these changes have been put into place.

### **Overview of financial position**

As part of our 2019/20 audit we have been monitoring the Council's financial position. We are undertaking similar reviews at all Council's due to the impact COVID 19 on all councils. This is important at Wirral due to the Council's own relatively low level of general fund and earmarked reserves. From my discussions with you and the Director of Resources, and my review of the 27 July 2020 Cabinet Report entitled 'Revenue Monitoring 2020/21, Quarter One I note that the impacts on Wirral are significant. I

understand that the Council has now applied for a capitalisation directive to support its financial position in 2020/21 and 2021/22.

I have set out my thoughts and concerns below.

### ***Prior financial periods***

I note that the Council developed 'the plan' from a relatively weak financial position.

By the end of the 2017/18 financial year General Fund Balances were at £24.856m but £15m of these reserves were used in 2018/19 to support children's social care services following an inadequate assessment from the CQC. As you are aware, in our 2018/19 Audit Findings Report (AFR) we reported that:

'The general fund balance at March 2019 is £10.7m which is a decrease of £14.2m from the closing balance at March 2018. The Council has set a minimum general fund balance of £10m going forward which it considers to be a reasonable level in case of unforeseen financial difficulties. Overall available revenue reserves has fallen from £106m in March 2015 to £70m at March 2019. Looking forward, the revised MTFS shows an accumulative budget gap of £67m over the four years with expected savings of £45m to be achieved in 2019/20 to balance the budget. The Council will no longer be looking to rely on one off funding to meet the provision of services. It is however, anticipating income to be generated through the Growth Company, with £5m expected to be received in 2019/20.'

In 2019/20, the Council set a budget of £273m. The budget assumed the use of £4.5m from earmarked reserves and £7m from the use of flexible capital receipts. The budget was later increased to £277m. While the final outturn for the Council was a net budget spend of £277m this was after the use of £26m of reserves.

In my view, the use of reserves is significant and is not sustainable. The Council needs to take urgent action to reduce its reliance on reserves in setting a balanced budget.

### ***2020/21***

The Council set a budget of £304m for 2020/21. This included financial pressures of £37.5m, offset by savings of £29.9m. The Council anticipated using £6.4m of reserves to balance its financial position. Of this £2.4m was expected to come from Earmarked Reserves and £4m from capital receipts for transformational spend included in revenue budgets.

The July Cabinet report on the Council's financial position reflects a deficit financial position following the impact of COVID. In the report the Council sets out a forecast budget deficit of c.£30.4m for the 2020/21 financial year. The report to Cabinet states :

'The year-end forecast recorded as part of June's financial monitoring activity represents an adverse variance to revenue budget of £30.432m; this comprises:

- £23.987m forecast variance in relation to revenue budget overspends

(including a forecast increase to in-year, earmarked reserves of £0.546m), the adverse position has arisen largely due to matters arising through the COVID-19 pandemic.

- £2.150m forecast capital receipts, which support the revenue budget position via flexible use of capital receipts and;
- £4.296m gap in direct COVID-19 funding against forecast requirements.'

The shortfall is driven by a number of matters and relate to Neighbourhoods, Cross Cutting initiatives and COVID funding. My understanding from reviewing the report are that the shortfalls are as follows: Neighbourhoods (£12.7m) – this is primarily due to leisure lost income, Cross cutting initiatives (£11.7m)

– the Council has been unable to deliver these initiatives, and Covid Funding

– a short fall in Government funding against the Council's expenditure (c.£4.2m).

While I understand that some income is expected from the Government for reduced Neighbourhoods income the remaining shortfall is significant and if not addressed would consume the majority of the reserves available to the Council.

I also note that the Council has ambitious capital expenditure plans. Most notably, an investment of £32m in economic growth, particularly investments properties £8.5m and Wirral Waterfont £15m. There is also a planned transfer of £4.5m from capital to revenue for 'transformational capitalisation'. The Council's current financial position would appear to cast doubt over its ability to take these programmes forward and remain financially sustainable.

The Council will need to focus on the delivery of its MTFS including finding new ways of income generation, delivering services, delivering efficiencies and empowering communities. It is probable that it will need to go beyond its MTFS and look at service reductions. It will also need to consider any income generation schemes against the investment resources now available to it and the payback periods.

## **Reserves**

In terms of the Council's reserves, it had £97m of reserves available to it at 31 March 2020.

From our 2018/19 AFR it appears that in previous years the Council has used reserves to balance its budget. In my view it is not prudent for councils to use non-recurrent money from reserves to fund recurrent expenditure.

I also note that while the remaining reserves appear to be significant the vast majority are not available to the Council to fund revenue expenditure. Our review of reserves indicates that £20m relates to ringfenced grants for capital schemes, £7m are school balances, £25m relate to COVID related grants, £8m relates to insurance funds and £4m to the business rate equalisation reserve. As such these reserves are not available to the Council to cover a shortfall in its revenues or non-delivery of savings plans.

After setting aside these reserves the Council has c £31m of reserves available to it to meet service overspends. While this appears to be a significant sum in my experience it is not sufficient. In particular, I do not consider that reducing the General Fund Reserve below £10m would be appropriate and that this would leave the Council exposed should a financial crises arise. As such the Council has c£20m to deal with

any savings shortfall. If the Council did utilise the remaining earmarked reserves to meet the £30m shortfall in 2020/21 I note that this would not be sufficient and that the Council would be reducing its remaining balance of reserves (c £20m) to £0.

### **Council response**

On our call we discussed the actions that the Council is taking in response to its finances. I was pleased to understand that you have already engaged with MHCLG with regard to a capitalisation directive for 2020/21 and 2021/22 revenue expenditure and that you have now made your initial submission. I also note that the Council has engaged with the Local Government Association with regard to its submission to MHCLG for the capitalisation directive.

As per the analysis above, the agreement of a capitalisation directive for 2020/21 is important to ensure that the Council can meet the short term financial shortfall. I also note that the Cabinet Report shows a revenue shortfall of £33.8m for 2020/21. As it now appears that the pandemic will continue into the new financial year and it appears uncertain as to whether the Council will be able to deliver this level of savings it is important that a capitalisation directive is secured for 2021/22.

If a capitalisation directive is not secured for 2020/21 and / or 2021/22, in my view, the Council may need to consider its response under S114 of the Local Government Finance Act 1988. Section 114 (3) dictates that: "The chief finance officer of a relevant authority shall make a report under this section if it appears to [him] that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

I note that the Council is already taking a number of other actions. For example:

- Newton Europe: To undertake an initial diagnostic on Adults Social Care and Children's Social Care.
- [C.Co](#) Commissioned to carry out an exercise to determine the cost of care in adult care and health
- Partners for Change: In discussion with regards to their "Three Conversations Programme" aligned with Social Work teams. The aim is to reduce demand into the care sector
- A Children's Transformation programme is in the early stages of formulation.

It is positive to see the actions taken by the Council. It is important that the Council continues to develop these savings plans as the capitalisation directive will only provide the Council with a short term solution. Therefore the Council's focus needs to be on how it can return to financial balance.

I note that additional Government funding for the region and for councils has been announced in recent days. This will support the Council in moving to a more financially sustainable position.

### **Audit Response**

I am aware that the Council is intent on resolving this situation and that it and local people have been impacted significantly by the current pandemic. I also recognise that

the Council will need to balance any action it takes to strengthen its finances against the potential impact on the well-being of local people.

Despite this focus it is important that the Council ensures that it is financially sustainability. At present I consider that the response is appropriate. It is, however, important that the Council:

- secures agreement with MHCLG for a two year capitalization directive
- continues to take action to reduce its expenditure and ensures that it is not reliant on use of reserves or any further capitalisation directive.

I will continue to liaise with you and the Council during the next few months as you seek to stabilise the financial position. As we discussed when we met, I will need to consider my responsibilities under the Local Audit and Accountability Act. It is possible that should the Council not stabilise its financial position or does not take the steps needed to do so that I will have to consider exercising the formal powers available to us as auditors.

Please can you bring this letter to the attention of the wider Council and in particular the Policy and Resources Committee.

Please let me know if you wish to discuss any of the matters raised

in this letter. Yours sincerely



**Mark C Stocks**

Partner, Head of Public Sector Assurance,  
Audit Grant Thornton UK LLP

cc. Shaer Halewood

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Date: 20 November 2020

YOUR REF: PS110.DOC/DLK

OUR REF: Chief Executive

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

Dear Mark,

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely

A handwritten signature in black ink, appearing to be 'PS' with a flourish, written over a light blue horizontal line.

Paul Sator  
Chief Executive