

Corporate Plan: The Future Financial Position

1.0 Summary

The Corporate Plan provides an overview of Wirral's vision and priorities. The financial context is an essential component. It is imperative that the Council aligns resources available to the highest priority areas in the plan. It is also essential to demonstrate good financial management, understanding of the cost drivers and to adopt a risk-based approach to financial planning. This document provides an overview of the Council's financial position and the decisions that are required to ensure that the Council through its Corporate Plan makes the most of the financial resources available.

2.0 Introduction

The Medium Term Financial Strategy (MTFS) provides an overview of the Council financial position and the strategy required to operate within the finance available. It provides the financial context to the Corporate Plan.

The Council sets a detailed budget for the forthcoming financial year but the annual process fits within financial plans for a longer timeframe to ensure decisions taken have due regard to future sustainability and are part of a more strategic approach to the future challenges. The Corporate Plan will operate within the financial environment relating to the period 2015/2018. Forecast net funding available over the 3 year period is £746 million against a current net spend forecast of £816 million. This is further broken down in Section 5.

The Council has already started to respond to a changing and challenging local government financial environment. This needs to continue and will impact on the shape and direction of the Council including the services it provides. This is recognised in the Corporate Plan. The MTFS provides the financial foundations to the Corporate Plan and highlights the resource constraints.

3.0 Background

The Council faces a difficult financial outlook. Reductions in central government funding (the main source of the Council's income) are expected to continue until at least 2017/18. There are also increasing financial demands to be met in the same timeframe. The Council will need to deal with an increasing budget deficit over the coming years if it does not take action to reduce expenditure or generate alternative sources of income.

For 2014/15 the overall net budget is just over £275 million and is forecast to reduce in the three year period to £239 million. These figures will be revised as decisions are taken with the current projection used to assist decision-making.

This update to the MTFS sets out how the Council will respond to the difficulties it faces whilst needing to prioritise resources to deliver the Corporate Plan.

4.0 2015/18 Financial Influences

The current MTFS covers the three year period 2014/17. It was agreed in February 2014 and sets out the anticipated levels of funding and financial pressures known at that time. This updated forecast to the MTFS takes into account changes that have been identified since February 2014 when the Council set its budget for 2014/15 and forecast for 2015/16 to 2016/17.

Forecasts of the Council's financial position over three years are kept under constant review as external circumstances change and decisions are taken. These are based on assumptions about inflation, financial pressures and levels of income such as Government grant.

The biggest influence on the Council's budget is the expected continuation of reductions in Government grant funding. Between 2010 and 2015 Government funding to local government will have been reduced by 33% in real terms. A further real terms reduction of 10% was confirmed in the most recent Spending Review which was in June 2013. There are no announced Government spending plans beyond 2016 but it is anticipated that austerity in public finances will continue for the medium term.

Provisional funding levels for 2015/16 and the announcement of the Spending Review demonstrate that further reductions in the Council's grant funding are going to take place. A reduction of 19% for 2015/16 is planned and if a similar level of reduction is repeated in 2016/17 and 2017/18 then the financial position of the Council will become even more challenging. In terms of income, the Council has limited ability to raise further income. The reduction in grants may be offset by the Council's share of any growth in real terms in business rate income and any growth in its Council Tax Base. However, it is important that unachievable income projections are not used to close real budget gaps.

Although costs have been contained the Council continues to face cost increases and unavoidable financial demands. The assumption is that inflation is absorbed within budgets and only specific contracts receive budgeted inflationary increases.

The inflationary challenges are one element of the financial pressures faced. The on-going rise in demand led pressures for example of an ageing population exacerbates the Council's financial position. There are also other unavoidable increases such as levy changes and pension increases over which the Council has little influence over the costs in some areas.

The Council will allocate its resources on its key corporate priorities. Our annual expenditure will be focused on those areas that are most important to us.

Our priorities for investment are as follows:

- Protecting the Vulnerable
- Tackling Health Inequalities
- Driving Growth in our Economy

In March 2014 the approved MTFs for 2014/17 reflected the financial projections for the Council based on the Spending Review 2013, indicative figures for 2015/16 and forecast the impact of further changes to local government finance in 2016/17. This forecast that the Council would have an overall deficit of £83 million for the period 2014/17.

The previous forecast gap has been updated for the Council's agreed budget saving options for 2014/17; from the updated assumptions for 2016/17 and the addition of the anticipated budget gap for 2017/18 to give a financial forecast for 2014/17. The revised position highlights a gap of £70 million for the period 2015/18.

Details	£m
Previous Forecast Funding Gap 2014/17	83
Less : Budget Savings Options 2014/17	41
Add : Revisions to Funding Gap 2015/18	28
Revised Forecast Funding Gap 2015/18	70

5.0 Overall Financial Projections

The analysis of all financial influences on the Council shows that the Council is facing a growing financial deficit from 2015/16 that is expected to reach £70 million by 2017/18.

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Forecast Expenditure (including demographic changes)	275	277	264	816
Forecast Income (including reduced grants)	257	250	239	746
Funding Gap	18	27	25	70

6.0 2015/16 Financial Strategy

The Council MTFs 2014/17 outlined savings that led to a closing of the gap, moving closer to a balanced budget. The updated financial position builds on these efficiencies and savings in order to achieve the budget reductions required to balance the Council budget in 2015/16. This will lead the Council into a more radical refocusing of resources for the period 2016/17 to 2017/18.

The budget approach for 2014/15 followed a number of principles and the budget consultation has used a priority approach to assessed savings options under the following classification of savings:

- Being more efficient – Making sure that we deliver our services in the most cost effective way possible – streamlining processes, joining up our back office functions and not wasting money on administration that could be invested in services.
- Working together – working more in partnership with others in the public, community, voluntary and faith sectors, reducing duplication and delivering better outcomes for residents.
- Promoting Independence – moving away from the Council doing everything and instead encouraging self help and community empowerment and resilience.
- Targeting resources – we have to target our resources on those who need our help the most – this will mean cuts in some services – which we are trying to deliver in a way that is both fair and equitable.

The budget approach for 2015/16 has been focused on a series of changes to services without closing services that residents rely on. The following programmes have been used to classify and assess proposed savings:

Delivery Programmes

- Delivering Differently – Assessing the best means of delivering a service-choosing the most efficient and effective option.
- Managing Demand – Reducing demand and the costs of specialist, substantial services through empowering people and communities to help themselves.
- Income and Efficiency – By stopping subsidising chargeable services unless it helps up to meet another objective.
- Customer Contact – Moving Council customers away from expensive ways of contacting us and targeting those who need face to face support.

Support Programmes

- People – Enabling the Council to define and deliver workforce requirements for the future, enabling people based change such as culture, up-skilling of staff and ensuring appropriate policies and procedures are in place.
- Technology and Information – Driving a strategic approach to the use of systems, data and information to support Council Services.
- Assets – Delivering the consolidated asset requirements of the services, enabling key service changes through the rationalisation and future proofing of the asset base.

This prioritised approach reflects the priority of the Corporate Plan and the way we need to deliver services in the future.

7.0 2016/17-2017/18 Financial Strategy

The total financial resource of the authority and wider partners needs to be maximised, prioritised and channelled to the right areas and activities. All financial planning activity will be targeted towards ensuring that resources are matched to the priorities identified in the Corporate Plan, ensuring that statutory functions continue to be delivered and that enabling functions provide best value for money. Already the Council has examined and challenged the way services are delivered. It has looked for improvements in the effectiveness of services to produce savings. It has also challenged the methods of delivery and who delivers services to ensure that they are cost-effective and provide value for money.

The increasing deficit coupled with the ability of the Council to continue to get “the same for less” becomes increasingly difficult and the emphasis for future years will be on challenging services the Council continues to fund, integrating with partner organisations to get focus on the overall “public purse” and ensuring that efficient ways of working is at the heart of the organisation. Efficiencies alone will not resolve the funding gap. Difficult decisions on the range of services provided will need to be made and the Corporate Plan sets out the vision and framework for those decisions.

8.0 Conclusion and Next Steps

- 8.1 The financial challenge for the public sector is considerable. For Wirral Council this means a funding gap of £70 million over the next 3 years against an overall net expenditure of less than £240 million per annum.
- 8.2 The Council's resources will focus on protecting the vulnerable, tackling health inequalities and driving growth in the economy.
- 8.3 A step change in expectations on public funding is required to manage demand for services for a reducing level of finance and an increasingly older population with more complex needs.
- 8.4 The success of the Corporate Plan in this challenging financial context will depend on:
- A local approach to decisions and delivery; a more active community involvement; a return to communities finding their own solutions.
 - A focus on early help and prevention to support independence and reduce demand on the public purse in the longer term.
 - A focused and energetic approach to driving economic growth as the key to growing funding levels, improving well being and bringing individual and organisational financial stability and resilience.
- 8.5 The budget setting process for 2015/16 is the continuation of an ambitious realignment of resources and the financial strategy over the next two to three years will drive the prioritisation in order to achieve balanced budgets to best serve Wirral Council residents, communities and businesses.