

APPENDIX 1

**MEDIUM TERM FINANCIAL AND
RESILIENCE STRATEGY**

2019/20-2022/23

MEDIUM TERM FINANCIAL AND RESILIENCE STRATEGY

Summary

The Wirral Plan sets a clear direction for the Council: investment should be allocated to the agreed priority areas and budget proposals that meet the themes of the Wirral Plan:

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| PEOPLE | Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued. |
| BUSINESS | Wirral is a place where employers want to invest and businesses thrive. |
| ENVIRONMENT | Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here. |

The financial proposals in this Medium Term Financial Strategy aims to keep Wirral balancing its budget across the next four years and successfully planning for a financial resilience future. Its strategy is to focus the available funds on priority areas and balance budgets by 2022/23.

The strategy focuses on the improvement of Wirral residents' lives by investing in key public services. It also recognises the need to do three things across the period:

- Boosting economic growth and diversification, essential for creating the jobs and income we need to pay for services.
- Creating Wealth for the many
- Being More Efficient

Since austerity started in 2010, through the Medium Term Financial Strategy, successive budgets and service reform and reconfiguration - millions has been taken out of directorate budgets.

We have developed a budget which is balanced, sustainable and legal:

- ✓ We are making no compulsory redundancies
- ✓ We have absorbed huge cuts to our funding without closing services
- ✓ We have secured major investment in services for vulnerable children and families
- ✓ We challenge every pound which we spend, to make sure it's delivering the best value.

Introduction

Wirral Council like other Councils across the country continue to face challenges in providing good quality services whilst under significant financial constraints. To meet these financial challenges to continue to maintain and deliver improvements in services, the Council must have a strategy, the Medium Term Financial Strategy (MTFS). The challenges and plans for delivery will stretch over several years, or over what is known as 'the medium term'.

The MTFS has two main elements:

- The Medium Term Financial Strategy providing an overview of the approach to the period 2019/20-2022/23.
- The Medium Term Financial Plan contains a Financial Resilience Plan setting out how council finances will be managed over the period.

The MTFS covers a 4 year period detailing anticipated funding and assumptions on spending. Our challenge for 2019/20 and beyond is to deliver our 20 pledges by generating income to replace our lost government funding.

The Council's budget also includes ring-fenced spending on education and housing benefits. These are funded by specific government grant which are ring-fenced in that they can only be used for these purposes and planning for these is undertaken separately from the revenue budget but there may be consequential impacts which are covered by the MTFS.

Over the next 4 years we anticipate rising costs (inflation) and demand for services alongside reduced central government funding that will result in a budget gap of £45m in 2019/20 rising to £67m by 2022/23.

From 2020 there is an expectation that we will be self-funding, as a result of our final grant reductions of £9m in 2019/20 and £18m in 2020/21. We have already saved over £100m since 2010 so finding further efficiencies and savings without a significant impact on services is impossible.

To enable financial sustainability from 2020 requires a shift in the way services are funded and this will be achieved via a medium to long term programme of income, investment and growth.

Over the period the Council will achieve the following through income, investment and growth.

Short Term

Growth in income sources will make a limited contribution with the amount of council tax growing through new homes being built. Business rates are also expected to expand as new businesses are established along with fees and charges increasing too. Saving proposals will need to make up a significant part of the resolving of the funding gap and this will mean that not all services can continue to be provided in the same way.

Medium to Long Term

In the long term the Councils plan is to change approaches so that it can raise or generate more income itself and be less reliant on central government. This will be through:

- **Income and investments.** Aiding local economic development so that the area becomes more self-sufficient through economic growth, community involvement and social action.
- **Transform** how the Council works and operates to improve service and deliver pledge outcomes and reduce costs.
- **Working with partners and residents** to provide the tools to get people into employment and improve health. Through this route there will be better life outcomes and a reduced need for social care.

Alongside the MTFS, the Council sets an annual budget for the next financial year. This is an iterative process with proposals being submitted as and when they are identified to enable consultation and scrutiny to take place so that the impacts of the proposals are known in advance; it is important that the Council aligns resources available to the highest priority areas in the plan and is on-message to meet its corporate objectives. It is also essential to demonstrate good financial management, control and financial planning to ensure we can demonstrate value for money. This document provides an overview of the Council's financial position and how it will, through the Wirral Plan, make the most of the financial resources available.

The Council has responded to a changing and challenging local government financial environment. This needs to continue. It will impact on the shape and direction the Council takes, including the services it provides. The MTFS provides the financial foundations for the Wirral Plan.

HOW WE'VE DONE IT

Income

Ethical Investing

- We invest in projects to create economic growth and housing, which make us a surplus and extra Business Rates and Council Tax, to reinvest into services

Services

Better Services



- We find new ways of delivering services, which protect our workforce, to make them better at meeting modern needs and cheaper to provide

Efficiency

Better Value

- We challenge every pound which we spend, to make sure it's delivering the best value.
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ETHICAL INVESTING



 WHY IT'S IMPORTANT	 PROOF IT WORKS
We've got two choices: cut services, and staff, or make the money to pay for them	WGC is bringing £5m+ to the Council next year, before a brick has even been laid, and £50m+ over the next decade
We're replacing the money we've lost with money we can make ourselves – we're doing it with a social conscience	We are selling old sites which we do not need any more to make money to fund services (£5m+ in two years)
We're investing in projects which bring us a surplus, and also put money into the pockets of local businesses and people	Over the next year, we'll add more than £10m to the local economy through Community Wealth Building

To enable us to continue to provide vital services to the most vulnerable, we need to find a way to replace the funding that has been cut and to do that we can generate income. We are confident in our commercial approach to generating income and have a robust and ambitious plan to regenerate the borough to deliver jobs, economic growth and income. Over the next decade the Wirral Growth Company will generate over £50m in income, with over £5m being received in 2019/20. This will enable us to continue to provide services, including non-statutory services to our communities for the future.

2019/20 will be a key year for our Community Wealth Building Strategy. Working with our anchor institutions we will be able to map our local spend and increase our local targets to ensure more of the wealth is kept within the borough. The strategy encompasses many stages and an important part of the strategy will be the opportunity to keep skills and jobs within the borough. Working with our partners we can determine whether we have adequate policies and procedures in place to ensure there is opportunity for our workers to progress within organisations to enable them to remain in work in the borough. This stems right from early opportunities within schools and latterly Wirral Met College to enable the right subjects and courses to be available for our young people to become trained in a skill where jobs are available.

Assets will feature heavily within the strategy as the Council can provide opportunities for communities in the use of its assets. Many of the assets are under utilised so providing opportunities for communities to use these in a more effective and efficient way will support communities to work together and enable local entrepreneurs.

BETTER VALUE



 WHY IT'S IMPORTANT	 PROOF IT WORKS
We've absorbed huge increases in demand for services, and absorbed massive cuts	We've invested £20m into services for children. No other Council in the country can say that.
We've lost 35% of our workforce over the past decade, but we haven't closed services	Children's services are quickly improving, with consistent praise from Ofsted. It's working.
We are keeping things going. It's not easy, we are squeezing every penny of value out of the money we have left	Protecting these services, investing in what is most important, would be impossible without generating revenue.

Through the Children & Families improvement programme the Directorate has been able to 'pay back' some of the investment funding agreed in 2017. This has been enabled by smarter and more efficient working practices, a department restructure that provide more clarity and leadership and rollout of the Worksmart project so that Children's staff are enabled to work anywhere in the borough at anytime that suits their work-life balance.

The Integration of Adult Care and Health Services alongside the CCG and trusted providers has enabled much better value to be drawn of out of services provided to the most vulnerable. The transfer of Adult Social Care Social Workers has meant that where people receiving care services previously received two visits from staff each from the Council and the NHS where they had to tell their story twice, now only receive one visit where they are able to tell their story about all their health and social care needs once. As a result of this integration, the Council is able to mitigate demand pressures of £22.1m over the four year medium term financial horizon.

Over the past decade, our workforce had reduced by 35%. We do not provide services in the same way we used to ten years ago, and nor should we, our customers are demanding different ways of interacting with the Council, some of whom do not require any human contact to enable them to do their businesses with us. Digitalisation has and continues to play a major part in providing better value for Council services. Over the past decade we have digitised as much as we can making the customer journey much smoother to enquire, book, pay and report things to the Council. As a result we do not need as many staff and this had enabled us to make significant savings and efficiencies in these areas.

BETTER SERVICES

 WHY IT'S IMPORTANT	 PROOF IT WORKS
Joining up our services improves them for people. They just work with one person, one service, to get the help they need	A 30% reduction in youth offending, through the Safer Wirral Hub
It protects public services, making them stronger and more able to withstand national cuts and meet local needs	The highest-ever rate of disabled people in employment, through our social care – NHS services
Wirral's public services are now the most joined up in the country	More than 3500 jobs created through supporting the private sector with our Chamber partnership

Every department is doing its bit by reprioritising, finding efficiencies, making sure the Council is working as well as it can for the areas long term future. As part of our reforming services programme, we aim to review all of the Council's 200+ services on a rolling basis. This will be done by:

- Testing whether each service is providing value for money for its customers
- Benchmarking costs against our nearest neighbours to determine whether we are the cheapest at providing the service that we can be
- Using insight and intelligence to predict what the service use requirements are over the long term, to ensure where we redesign a service that it is fit for the future
- Asking customers what they think about the service and whether they value it and it is important to them
- Considering whether to divest in the service where it is not meeting customer needs or providing value for money
- Considering whether the service should be provided in alternative way and/or by an alternative provider

Partnering with other organisations enables us to provide the right services in the right way as providing better services is no about the organisations we work for, it is about the communities we serve.

Financial Challenges

The Council is planning to resolve the budget gap it faces over the MTFS period through action to generate new income and reduce expenditure.

MTFS Financial Influences

The MTFS covers the four year period to 2022/23. It sets out anticipated levels of funding and financial pressures. Forecasts are kept under constant review as changes occur and decisions are taken. These are sometimes based on assumptions about inflation, financial pressures and levels of income such as from Council Tax.

The biggest influence on the Council's budget is the continuation of reductions in government grant funding and the move towards self-funding by all Councils. The business rates retention scheme (BRRS) introduced in 2013–14 has allowed councils to retain up to 50% of the real-terms growth in local business rates revenues and bear up to 50% of any real-terms falls.

The government has announced plans to increase this share to 75% by 2020/21 and continues to expand a series of pilots of 100% retention in some areas of the country including the Liverpool City Region. The aim of these reforms is to provide stronger financial incentives for councils to boost local economies and tackle the underlying drivers of spending need. However, changes may see a potential for councils' income resources to diverge from their spending needs across the England. There is a risk that affluent areas with potential to raise more income may benefit whilst poorer areas suffer. This is currently being examined by the Government as part of the Fair Funding Review.

The Fair Funding Review commenced in late 2017, with the outcomes of the needs and resources reviews likely to be implemented in 2020/21. The Needs Assessment commenced with a consultation paper and the Council responded in March this year. Further consultation including on the ability of Councils to generate income are due out later this year.

The outcome of the review is anticipated to have a major impact on the distribution of funding between Councils in England. The consultation paper is a key part of the development of a new funding formula that will ultimately assess spending needs and available resources in every Council. Few details of the likely impact on Wirral are known but will be fed into future updates of the financial projection from 2020/21.

Between 2010 and 2015 Government funding to local government will have been cut by 33 per cent in real terms. In terms of income the Council can raise further income. The reduction in grants may be offset by the Council's share of any growth in business rate income, Council Tax and fees and charges.

In addition to this the Council has and continues to restrain its costs as far as possible. This has been through savings programmes over a number of years.

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 social care both in Children's Services and Adults adds to the financial challenges faced by the Council. There are also other unavoidable increases such as levy changes and pension increases. The Council has little influence, in some of these areas, over the costs that it must incur.

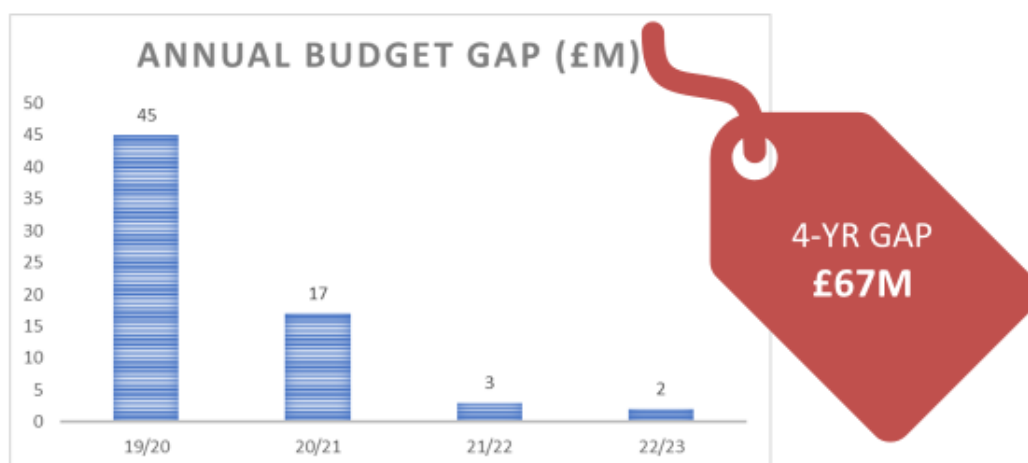
The Council will continue to invest its financial resources on its key Wirral priorities. Our annual expenditure will be focused on those areas that are most important to us.

The Government announced in December 2015 the key components of the Council's funding for the period up to 2019/20. Through Wirral's acceptance of the four year settlement deal these levels are confirmed for three years. This does and has provided some assurance around funding and enables financial planning to be clearer. There does however remain uncertainty beyond 2019/20 until 2022/23.

The Council has been able to set a balanced budget for 2018/19 with support from one off funding. However, after 2018/19 there is a new funding gap to be resolved. The gap is forecast to reach £67m by 2021/22 of which £45m relates to 2019/20.

Budget Projections 2019/20-2022/23: Budget Gap Forecast

ANNUAL BUDGET GAP



PROJECTIONS	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m
Cumulative Budget Gap	45	62	65	67
Annual Change in Budget Gap	45	17	3	2

The financial pressures in the period 2019-23 facing Wirral Council are considerable. The MTFS projections contain anticipated cost pressures and changes that the Council has to manage. The main anticipated expenditure changes are as follows:

- Economic – inflation and pay awards;
- Demographic – investment in Services for increased demands including greater houses;
- Policy – new service requirements, government legislation, grant settlement;

There are a number of areas where there may be additional costs to the Council in future years which are uncertain at present. One area to be addressed in the period of the MTFS is the approach to containing the demand for services, cost pressures and growth in a period when grant funding is reducing.

Wirral is still reliant on government grant to support all services. Since 2010 Government grant funding has reduced each year. This drop in funding coupled with a number of increasing financial pressures such as those due to changes in our population have meant that the Council has had to save considerable amounts over recent years. Wirral will continue to face considerable financial challenges, uncertainty and funding reductions over the medium term period. Beyond 2019/20 Central Government has made no detailed announcements on the general grant funding of local government. There remains a great deal of uncertainty in projecting Wirral's' future funding and an assumption of no central grant funding has been made in the final years of the MTFS period.

Addressing the Challenges

Since 2010, Wirral has delivered a programme of savings and increased income in response to financial pressures and cuts to government funding. The response over recent years has been to find solutions through efficiencies, a number of innovations and transformation plus raising more income. The use of one off funding in 2018/19 means that the period 2019/20-2022/23 represents a new challenge and to respond requires a reset to the Medium Term Financial Strategy.

The key challenge for the Council is to maintain and improve where needed our services to the people of Wirral whilst managing with reduced central government funding.

To meet this challenge a number of financial approaches are developing and will be used across the four year period. The full details of their implementation will be through the annual budgets in each of the years of the MTFS period. It is anticipated that there will be a mix of approach across the timeframe as a number require actions that have long lead times that span a number of years.

Our MTFS approaches 2019/20-2022/23

Increasing Income Generated Locally

The future for local government finances is one in which Councils aim to be financially self-sufficient. This means that Wirral has to plan to establish a strong and buoyant tax base and other sources of direct income. This will result in more the income that will protect services. Achieving sustained economic growth in Wirral will be a key driver of income generation. However this is not an end in itself but provides benefits of greater wellbeing, inclusion and a sharing of prosperity. The Council will provide the tools to encourage local regeneration leading to jobs and growth.

1. For our Council Tax base this will mean:

- Enabling new housing through planning policy and the Local Plan.
- Ensuring that our Council Tax Reduction Scheme is fair and provides support to the most vulnerable groups.
- Planning to maximise income from Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Increase the number of properties paying Council Tax.
- Minimise the number of homes that are empty and maximise income through the appropriate application of discounts and exemptions.
- Improve collection rates and reduce the levels of outstanding debt for Council Tax.

2. For our Business Rate base this will mean:

- Attracting new investment to Wirral.
- Using loans and grants to ensure businesses are supported in the area.
- Enabling development to take place in the area, with the mixed development of a number of sites in Wirral, using our land, prudential borrowing or other financial mechanisms to encourage regeneration and jobs including new employment, in newly developed spaces.
- Setting a fair and equitable Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Grow and maintain the business rate tax base in Wirral.
- Maximise businesses paying the expected level of business rates.
- Improve collection rates and reduce the levels of outstanding debt for Business Rates.

3. For our commercial strategy this will mean:

- The introduction of new income sources through charges and trading, for example with local businesses.

- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by others for similar services.
- Ensure the fees and charges are recognised as a key and increasingly important part of the financial resources of the Council.

4. For our Treasury Management this will mean:

- The optimisation of returns on investments whilst ensuring security and liquidity.
- Examination of new opportunities for innovative investments, balancing risk with opportunity to be more risk aware to generate short and long term income.
- Use of prudential borrowing where it is supported by a sound business case in accordance with the principles of the Treasury Management Strategy.
- Ensure that Treasury Management is recognised as a major contributor to the Councils overall financial standing the resilience. Whilst operating within the relevant guidelines and regulations.

5. For Economic Growth this will mean:

- Income into the Council through regeneration of the borough by the Wirral Growth Company
- An increase in economic growth through major new investment generating income from rental agreements
- Keeping the wealth within the borough as part of the Community Wealth Building programme to ensure opportunities are available for local people to live, work and shop in their local area

Reducing Costs

A major element of the Councils response to the financial challenges it faces is to reduce costs. The main ways of this being implemented is detailed in the next two sections:

Getting the Basics Right

Improving and modernising the Council is about understanding and responding to the needs of our residents. This means getting our everyday services right each day in all areas e.g. fixing potholes, replacing street lights, answering calls quickly, ensuring our streets are safe and clean etc. Communities need assurance that we are providing value for money for the local taxes they pay and allocating resources to the areas that matter most to them.

To enable this, we will review all services to ensure they are providing value for money through the **Reforming Services Programme**. Drawing on benchmarking and intelligence information on other Councils' operations it will review the cost and configuration of all services. The use of benchmarking and predictive modelling tool CFO Insights will assist with this approach. This online analysis tool that gives access to insight on the financial performance, socio-economic context and service outcomes of every council in England, Scotland and Wales. The tool provides a

three-dimensional way in which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours.

The aim across the period 2019 - 2023 is to:

- To be more efficient and assess Value for money – Making sure that we deliver our services in the most cost effective way possible – streamlining processes, joining up our back office functions and not spending money on administration that could be invested in services in line with our priorities.
- Review the mechanisms for delivering services to obtain the best fit for delivery to the residents of Wirral.
- Explore and enhance partnership working – working more in partnership with others in the public, community, voluntary and faith sectors, reducing duplication and delivering better outcomes for residents.

Managing Demand

One of the approaches to managing the pressures of inevitable increased demand is to use policies and service delivery models that reduce avoidable demand. By reducing demand the Council can focus on prevention and help measures to ensure that residents received a better service and experience. Our approaches to managing demand are detailed below.

The total financial resource of the Council 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 Wirral 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 looking for improvements in the effectiveness of services to produce savings. It has also challenged the methods of delivery, who is delivering services the most cost effective services.

Wirral Together is a collaborative approach to focus on community and partnership based approach to a sustainable future.

Investment in Services

The financial position for the Council is challenging over the 4 year MTFS period. Despite this the Council budget will continue to deliver funding to support spending on services more than £300 million a year. The focus of the Wirral Plan and the MTFS is on prioritising the allocation of these resources to ensure the right outcomes for Wirral, at best value for money, with our partners and providers. The budget will continue to be invested in line with the Wirral Plan themes:

- PEOPLE** Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.
- BUSINESS** Wirral is a place where employers want to invest and businesses thrive.
- ENVIRONMENT** Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

Targeting resources to those who need our help the most – this may mean changes in some services – which we are trying to deliver in a way that is both fair and equitable; promoting independence with a move away from the Council doing everything, encouraging self-help and community empowerment and resilience through Wirral Together.

A key areas for investment is Adult Social Care and Children’s Services.

In Children’s the Council will continue to invest in prevention and early intervention to help families, by actions to help them come out of and stay out need and care. We will also protect our most vulnerable groups of children through working with partners. To improve Value for money in this area there is future work to be undertaken on the procurement and commissioning of services.

The aim across the period 2019/20-2022/23 is to:

- Help Children to stay in the area with their families rather than being in expensive placements. Improving life opportunities and outcomes for our children.
- Reduce the cost of providing Children’s Social Care, through multi agency working.
- Reduce the relative high costs of providing children’s social care.

Wirral Response to the financial challenges

The increasing deficit to 2023 coupled with the ability of the Council to continue to get “the same for less” will become increasingly difficult and the emphasis for future years will be on the challenging services the Council continues to fund, integrating with partner organisation to get focus on the overall “public purse” and ensuring that efficient ways of working is at the heart of the organisation. To be successful, the Council will call on all Wirral residents to play their part for example in playing an active role in the community and supporting local shops and businesses.

The Council’s Strategic response to the funding gap is as follows:

- Increasing Income Generated Locally
- Reducing Costs: Getting the Basics Right

- Reducing Costs: Managing Demand

FINANCIAL PROPOSALS 2019/20 – 2022/23

The MTFFS focus is on building the foundations for a sustainable financial future with sufficient support for services and describes how to provide the funding and services so that residents receive the support for their lives and communities.

The MTFFS and the 2019/20 Budget is the next step in resolving the financial challenges we face and moving to a more self-sufficient funding position. Maintaining business as usual whilst reforming services and regenerating the local economy will be the future focus to target our resources. Establishing the correct baseline to do this is an essential component of our delivery and the MTFFS sets out how we plan to do this in line with our financial principles. It details the financial remit within which the Wirral Plan directs all services up to 2023.

The table below lists the summary financial proposals identified as part of the 2019/20 budget process to balance the 2019/20 budget. The detailed proposals can be found in Appendix A

TOTAL PROPOSALS BY PORTFOLIO	19/20 £m
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to national funding	3.25
Total	45.00

These proposals have been consulted on following agreement from Cabinet in November 2018. They will be recommended to Full Council in March as balancing the budget for 2019/20.

Over the medium term a gap still presents to 2022/23. In the absence of any known future funding from government until this autumn in response to the fair funding review, proposals have been suggested to balance the four year funding gap. At this stage these proposals are in draft. Over the next 12 months they will be worked up as part of the continual budget process and be subject to scrutiny and challenge as part of the Star Chamber process. This will enable the proposals to be assessed for their acceptability, feasibility and deliverability before undertaking any necessary consultation (if required) and being agreed by Cabinet to go forward for implementation to balance the four year budget gap.

The four year proposals are as follows:

	2019/20	2020/21	2021/22	2023/23
	£m	£m	£m	£m
4 year Budget Gap	45	17	3	2
19/20 Budget Options in 3.14	(45)			
Review of commissioned services		(3.5)		
Children & Families Innovation Programme		(2.0)	(1.0)	
Review assumptions for pressures		(1.5)		
Income Generation		(3.0)	(1.0)	(1.0)
Depot Supersite		(0.5)		
Reforming Services Programme		(1.0)	(1.0)	(1.0)
Contract Review Year 2		(3.5)		
One-off invest to save funding		(2.0)		
Revised budget gap	0	0	0	0

Conclusion and Next Steps

The financial challenge is considerable. For Wirral this means a funding gap of £67m over the next 4 years against an overall net expenditure of less than £300m per annum.

To respond and deliver the Wirral Plan the Council will over the period of the MTF5 increase income, invest in services that support the delivery of the 20 Pledges, managed demand and review what we do through Getting the Basics Right.

The total financial resource of the Council and its 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 Wirral plan, ensuring that services continue to be delivered and enabling the provision of best value for money.

The successful delivery of the Wirral Plan and the MTF5 in this challenging period is dependent on:

- A continuation of the new and focused approach to economic development in the area driving jobs and growth as the key to increasing and growing funding levels and sources. But also improving well-being for residents and bringing individual and organisational financial stability and resilience.
- A community approach to decisions and delivery with active community involvement with Wirral Together resulting in communities finding their own solutions and helping the area.
- A focus on early help and prevention to support independence and reduce demand on service.
- The prioritisation of resources to key areas.

The MTFS and budget development for 2019/20 will reflect the realignment of the Council, allocation of resources and its approach to financial strategy over the next four years. This will drive our approaches that will also lead to balanced sustainable budgets that support all Wirral residents, communities and businesses.

APPENDIX A

2019/20 BUDGET SAVINGS PROPOSALS

HIGHWAYS & TRANSPORT	19/20 £m
Assisted Travel Procurement	0.12
Street Lightings LED savings	0.05
Total Highways & Transport	0.17

JOBS & GROWTH	19/20 £m
Neptune development Capital Receipt	4.00
Benefits of Economic Regeneration	4.15
Total Jobs & Growth	8.33

ENVIRONMENT	19/20 £m
Cemeteries & Crematoria increased fees	0.20
Total Environment	0.20

CHILDREN & FAMILIES	19/20 £m
Special Guardianship means tested	0.80
Reduced Agency	1.00
Troubled Families Earned Autonomy funding	0.60
Business Support Saving	0.40
Looked After Children reduced numbers	0.40
Childrens restructure	0.50
Remove Golden Hellos	0.20
Total Children & Families	3.90

ADULT CARE & HEALTH	19/20 £m
LD Transformation Programme - Year 3	2.00
Mitigating Adult Social Care demand through maximising independence and wellbeing	5.80
Use of grant funding	0.85
Total Adult Care & Health	8.65

FINANCE & RESOURCES	19/20 £m
Treasury green investments	2.00
Contract review	1.50
Increase Council Tax Collection Rate	0.50
Capitalisation of salaries	0.15
Fees & Charges	1.00
Senior Manager and back office savings	1.90
Centralising IT	0.18
Asset sales Capital Receipts	1.50
Supplies & Services holiday	2.50
One off reserves	2.00
Reducing Agency/Interims/Consultants (non-Children's)	1.00
Service Review Programme	1.00
Transformation funding reduction	2.00
Pensions regulatory changes	0.40
Total Finance and Resources	17.63

LEISURE AND RECREATION SERVICES	19/20 £m
Culture income target	0.10
Expert operator for golf courses	0.80
Expert operator for Floral Pavilion	2.05
Total Leisure and Recreation Services	2.95

HOUSING & PLANNING	19/20 £m
Increase in Planning Income	0.10
Total Housing and Planning	0.10

TOTAL PROPOSALS BY PORTFOLIO	19/20 £m
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to national funding	3.25
Total	45.00

2019/20 BUDGET PRESSURES

JOBS & GROWTH	19/20 £m
Neptune development Income	(0.20)
Total Jobs & Growth	(0.20)

ENVIRONMENT	19/20 £m
Service demand from new Housing	(0.05)
Waste contract inflation and pressures	(0.70)
Levies	(1.10)
Total Environment	(1.85)

CHILDREN & FAMILIES	19/20 £m
Ganneys Meadow and Leasowe Nursery School	(0.20)
Top up of RAA funding	(0.25)
Investment in Pause Scheme	(0.65)
Total Children & Families	(1.10)

ADULT CARE & HEALTH	19/20 £m
Demand and inflationary pressures	(6.30)
Total Adult Care & Health	(6.30)

FINANCE & RESOURCES	19/20 £m
Pay and Pensions inflation	(3.85)
Capital financing costs	(1.50)
Kingsway Academy PFI Costs	(0.35)
Total Finance and Resources	(5.70)

LEISURE AND RECREATION SERVICES	19/20 £m
Woodchurch new opening hours	(0.30)
Coastal car parking charges removed	(0.25)
Total Leisure and Recreation Services	(0.55)

TOTAL PRESSURES BY PORTFOLIO	19/20 £m
Jobs & Growth	(0.20)
Environment	(1.85)
Children & Families	(1.10)
Adult Care & Health	(6.30)
Finance & Resources	(5.70)
Leisure and Recreation	(0.55)
Total	(15.70)

**MEDIUM TERM FINANCIAL STRATEGY
2019/20-2022/23 –**

**A sustainable financial strategy
to support our 20 Pledges**

Financial Resilience Plan

Financial Resilience Plan: Management of Expenditure and Income

Introduction

The financial position for local councils continues to be challenging. To respond over the period, improving and maintaining financial resilience is a requirement that the MTFs needs to incorporate. It is about coping with the financial shocks and unpredictable events that take place. There are a number of ways of building resilience:

- Management of Spare resources.
- Use of Reserves.
- Income Generation.
- Forecasting and management of expenditure.
- Developing a holistic view of expenditure and spending.
- Rethinking the way services are delivered.
- Anticipating what is going to take place.

However, of these, two emerge as the main ones as follows:

- Improved Internal Financial Management - A major aspect of financial resilience is managing in changing conditions and contexts.
- Increased Income- Diversification of income through various Council approaches such as regeneration and commercialisation.

Financial Resilience

Financial Resilience is a key part of the MTFs to 2023. This is for the following reasons:

- Increasing Financial Pressures on local government raising the profile of the strength of financial resilience in the sector. High profile examples at Councils such as Northamptonshire County Council demonstrate that the sector is facing a number of stresses and strains following the austerity programme that commenced in 2010 with the election of the coalition government
- Wirral financial performance and resilience changing in 2016/17 and 2017/18. While the overall outturn for the Council for both years has been favourable there has been a reliance on one-off funding such as balances and in year solutions to mitigate and put in place actions to resolve adverse financial pressures that developed in major service areas part way through both financial years. Linked to this the following has been identified:
 - A clear reduction in the level of earmarked reserves. There has been an increasing use of earmarked reserves as temporary budget funding while budget proposals are implemented.
 - Short term financial planning. The budget for 2018/19 was for one year only, rather than across a wider MTFs timeframe. There has been

limited planning for future years savings and increased additional income.

- An increasing tendency for services to have unplanned overspends and/or carry forward the implementation of financial proposals from one year to the next.
- Increasing size of the budget gap with a higher proportion of the solutions being found from one-off funding if no specific savings and additional income having been identified.

Vision for Wirral and its Finances

A combination of financial pressures in the last few years combined with increasing challenges in future years plus organisational changes make it an important priority to maintain focus on the Council's approach to its financial resilience. Building financial resilience is a key part of the MTFS planning for our finances. A major part of this is getting the basics of financial management right especially given the pressures and changes that have occurred over recent years.

Within this context the MTFS and the annual budget will continue to prioritise the themes and pledges made in the Wirral Plan and will protect those services for the most needy and vulnerable. Reductions in central government funding will continue. The future for local government finance is for all Councils to be self-sustaining. This means that the Council needs to plan for a resilient budget that includes strong income sources to protect key services to our residents.

Over the period of the MTFS the Council will seek to accomplish the following:

- A balanced four year budget agreed annually.
- Growing and diversifying income generation in the area in a sustainable way.
- Maximisation of returns from Council investments within a prudent approach.
- Maintaining investment in key services and outcomes that support the Wirral Plan 20 Pledges.
- Maintenance of the right level of earmarked reserves and general fund balances to protect Council services and mitigate against future risks.
- A four year capital programme aligned to achieving the outcomes in the Wirral Plan and the maximisation of invest to save opportunities.
- Maximisation of income generation and collection.
- Using best practice financial management approaches and control of Council budgets.
- Minimisation of fraud and corruption.

- Fit for purpose annual accounts.

Across the MTFS period the Council will continually review and improve its financial resilience to ensure it can demonstrate long-term financial sustainability and the achievement what it is seeking to accomplish over the period. The approach to Financial Resilience has 4 elements being the 4 elements for financial resilience:

- Getting routine Financial Management Right.
- Benchmarking – making this routine.
- Clear plans for the delivering savings.
- Prudent use of reserves.

The key areas for development over the period are as follows:

- The future delivery of the Medium Term Financial Strategy and annual budgets within the period are dependent on changing the existing culture within the Council.
- Members and senior officials setting a tone that financial discipline is important.
- Focusing the finite resources of finance and audit on the key areas of financial risk.
- Further developing enablers that provide effective financial management. This includes Budget Holder Training, improving Management Information availability, modernising the financial management system and embedding the Financial Business Partner structure.

General Fund Balances and Earmarked Reserves

The maintenance of general fund balances and earmarked reserves at the correct level is part of the Council's strategic financial planning and approach to the management of risks it will face in the future. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.

The Council's approach to how it manages its reserves is based on Wirral's local circumstances. The amount held is decided by the Council in line with its perceived future local demands. As such there is no standard approach to the level of reserves that could be applicable to every Council. Despite the certainty given by the four year funding settlement the financial future for the Council continues to be challenging and a number major uncertainties remain. In determining the appropriate level, the Section 151 Officer has assessed a number of local factors. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (Chartered Institute of Public Finance and Accountancy, the professional body which issues the guidance in this area).

Wirral Council adopts a risk-based approach to financial planning, which is used to determine the minimum level of reserves required. The aims of this approach are to:

- Ensure the General Fund Balances are set at a reasonable level – this is the Council's 'last line of defence' should unforeseen financial difficulties emerge. Funding for the New Ferry explosion is an example of where these balances have been used
- Ensure earmarked reserves are set at a reasonable level to cover specific financial risks faced by Wirral Council – these may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years.

Over 2016/17- 2018/19 the overall level of available funds has and will continue to reduce. The use of one off support was planned for these years to close the budget gap. However, for future years the budget gap will be closed through the implementation of the new financial proposals and additional income. Any bridging of the gap using general fund balances and earmarked reserves will only be considered as a last resort and will only happened in the early part of the MTFs timeframe.

General Fund Balances

Wirral Council's risk-based reserves strategy is applied in the context of the current state of the economy, the other financial risks facing the council and the underlying financial assumptions within the medium term financial plan. The level of the Working Balance must be maintained at £10m for 2018/19.

The setting and justification of General Fund balances is part of the Council Medium Term Financial Strategy. It is crucial the Council has sufficient balances, and earmarked reserves, to maintain financial standing and resilience. For local authorities there is no statutory minimum level and it is for each Council to take a view on the required level having regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.

CIPFA state that the financial risks should be assessed in the context of the Council's overall approach to risk management. In its paper "Local Authority Reserves and Balances" the following factors are relevant to determining the level of balances.

- The treatment of inflation and interest rates.
- The treatment of demand led pressures.
- The treatment of planned efficiency savings/productivity gains.
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.

- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject.

In determining the appropriate level of balances, the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council considers the main risks and uncertainties including:

- Legislative changes
- Inflation
- Grants and Partnerships
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims
- Energy Security and Resilience

The basis of the level of general fund balances framework are an area of risk, a budget amount, an assessed level of risk, and a percentage factor, which will vary according to the level of risk, which produces a value.

This has been Wirral Council's approach since November 2012 and is reviewed in line with CIPFA guidance. A consideration of the risks and the financial circumstances that might be faced by Wirral for 2018/19 has been made. The risk factors used in the Council's assessment are like those recommended by CIPFA guidance.

The calculation of the level of General Reserves Balances is as follows:

	2019/20	2018/19
Assessed Minimum Level of Balances	£10.0m	£10.0m

It is currently anticipated that this level will be maintained across the MTFs timeframe.

Earmarked Reserves

The Council maintains earmarked reserves in addition to its General Fund Balances, which are set aside for specific purposes. The Council is obliged to maintain a number of Legally Restricted Reserves; these are sums of money that the Council is required to set aside for legally defined purposes (e.g. the Dedicated Schools Grant). Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes. The categories of earmarked reserves are as follows:

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION To support the Transformation programme, which includes support to to deliver future savings and the reconfiguration of services.
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer.

A robust reserves strategy is a key part of the financial resilience of the Council and provides the first line of defence underpinning the statutory requirement to set an annually balanced budget. Adequate reserve levels help prevent local authorities from overcommitting themselves financially, mitigate against risk and provide organisational stability in the event of unanticipated, unforeseen or emergency spending being required. An assessment of the adequacy of reserves is a key statutory requirement to be undertaken at least annually.

The Council in recent years has increasingly relied on reserves in balancing the budget and in meeting service related financial demands. Actual general fund and earmarked reserves have reduced by £20m between 31 March 2014 and 31 March 2017, representing a 20% reduction. Looking forward, reserves are forecast to reduce further to £8m by 31 March 2019.

The experience at Wirral is common to other Councils. A recent Study by the Office of Budget Responsibility contained details of the level of local authority reserves since 2010/11. This showed that in period 2015/16 and 2016/17, English local authorities drew down from their stock of reserves by £0.4 and £1.5 billion respectively. This reversed the build-up of reserves from 2010, which saw them rise by an average of just under £2 billion a year between 2010/11 and 2014/15.

Monitoring and Management

Compliance against a benchmark for general fund balances is monitored on a regular basis and reported to Members through the Revenue Monitor report. The aims of this approach are to:

- Ensure the General Fund Balances are set at a reasonable level- this is the Councils 'last line of defence' should unforeseen financial difficulties emerge;

- Compliance against this benchmark is monitored on a regular basis and reported to Members through the revenue budget monitor.

Risk

Risk is an integral part of financial resilience and is embedded in all that we do. To enable the Council to monitor its financial resilience it needs to take an assessment of risk across all activities to ensure that where corporate risks have been identified that these are being mitigated and monitored on a regular basis. The Council's Corporate Risk Register has been reviewed and updated and is included at Annexe A.

Summary

Although the budget position is very challenging and will remain so for the foreseeable future, the Section 151 Officer considers the level of reserves and balances to be reasonable for 2019/20-2022/23 based on:

- Working Balance of £10m, which assessed as reasonable given the financial risks the council is facing;
- Current level of general fund earmarked reserves.

The Council uses its reserves instead of making budget reductions the level of reserves held will reduce as they are used up. Reserves are being used in 2018/19 In future years will only be used to smooth budget changes. However, the budget changes required to balance the budget cannot be avoided using balances. In addition, using reserves means that the Council is less likely to be able to fund unforeseen events or plan for future transformational changes without the need to make further reductions in expenditure. A financial priority is the bolstering of reserves to fund support to future changes and provided financial resilience during the MTFS timeframe.