

# Medium Term Financial Strategy & Financial Resilience Plan

2020/21 - 2024/25



## 1. Introduction

This is the annual review of the Medium Term Financial Strategy (MTFS). It is based upon a financial forecast over a rolling five year timeframe from 2020/21 to 2024/25, which will help to ensure resources are aligned according to the priorities outlined in the Wirral Plan 2025. The MTFS will also set the financial context for the Council's resource allocation process and budget setting.

## 2. Context

### What is the MTFS for?

The MTFS is a key part of the Council's Budget and Policy Framework which aims to ensure that all financial resources are directed towards the delivery of Council priorities. The financial proposals in this MTFS aim to keep Wirral balancing its annual budget and successfully planning for a financially resilient future.



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

It also recognises the need to respond to the financial challenges in a planned way through examination of four inter-related areas:

- Boosting economic growth.
- Driving income generation.
- Managing service demand.
- Identifying efficiencies.

The outcome of this activity has resulted in a budget for 2020/21 which is:

- Balanced, sustainable and legal.
- Involves no compulsory redundancies; and which
- Continues to deliver vital services.

### 3. Our Challenges

Wirral Council continues to face challenges in providing good quality services whilst operating within significant financial funding constraints. In order to meet these challenges, our Medium Term Financial Strategy outlines the plans for delivery, which will stretch over several years.

The MTFS has two main elements:

- Provides an overview of the approach to the period 2020/21 - 2024/25.
- A Financial Resilience Plan.

#### Short Term:

- New homes will make a limited contribution to income streams through council tax payments.
- With the establishment of new businesses, income streams will also grow through business rates, including an increase in fees and charges.
- Proposals for savings will need to address the increasing funding gap, whilst also acknowledging that not all services will continue to be provided in the same way.

Our challenge for 2020/21 and beyond is to deliver the Wirral Plan, through generating income to bridge the gap between resources, reduced government funding and increasing demand.

Over the next five years, the Council anticipates rising costs and a rising demand for services alongside reducing central government funding.

This is expected to create an unmitigated budget gap of close to £30 million each year which continues to be one of the Council's primary challenges going forward.

#### Medium to Long Term:

The Council plans to change its approach so that more income can be generated through its own revenue streams, rather than a reliance on Central Government. This will be achieved through:

- Growth in Council Tax revenues, linked to growth in Local Plan targets.
- Growth in Business Rates as a result of regeneration activity to increase the number of businesses operating in the area.
- Investing in commercial activities to generate returns.

The Council has already saved over £100m since 2010, therefore locating further efficiencies with a minimal impact on our services is difficult.

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



- Changing how the Council operates to improve service, deliver pledges and reduce costs.
- Working with partners and residents to provide the tools that get people into employment. Doing so will provide better life outcomes & a reduced need for social care.

## 4. Our Budget

Each year we set an annual budget for the next financial year, which in this case is the year to 31 March 2021 (2020/21). This is an iterative process, with proposals submitted as and when they are identified to enable consultation and scrutiny to take place so that the impact of the proposals can be assessed.

It is important that the Council aligns resources to the highest priority areas within the Wirral Plan, as well as being able to meet its overall corporate objectives.

The budget must be balanced in terms of matching expected funding to expected costs, so that no gap is created which could bring the Council's financial future into question.

It is also essential to demonstrate good financial management, control and financial planning to ensure value for money can be demonstrated.

This MTFS considers how the Council will make the most of the financial resources available, directing funding to Council priorities.

However, it must be acknowledged that the Council is striving to deliver the best for residents against a background of challenging financial circumstances.

Local Government are facing significant funding reductions, which are highly likely to continue. A lack of clarity regarding the value and future of social care funding continues to hinder the ability to plan effectively in this area.

Alongside this financial context, the UK has now left the EU, which gives a high degree of uncertainty in relation to local Government.

This environment will continue to challenge the ability of the Council to respond to the needs of Wirral residents and the wider community.

## 5. How We've Done It

### INCOME Generating Income

- Investing in projects to create economic growth and housing, which creates a surplus for the authority. Extra business rates and council tax will be reinvested into services.

### SERVICES Delivering Leading Edge Services

- Finding new ways of delivering services, which protects our workforce, to make them better at meeting current needs and cheaper to provide.

### EFFICIENCY Ensuring Efficiencies

- Challenging every pound that we spend, to make sure it's delivering the best value.

### COMMUNITIES Empowering our Communities

- Promoting social value and encouraging communities to become more independent. As well as ensuring opportunities for Small and Medium Enterprises (SME's) to thrive.

## 6. Generating Income

### Why it's Important

- It's a choice between cutting services and staff or making the money to pay for them.
- Replacing money lost through government grants with money we can make ourselves.
- Investing in projects that return a surplus and put money in the pockets of local businesses and residents.

We have a robust and ambitious plan to regenerate the borough to deliver jobs, economic growth and income, enabling us to continue providing services, including non statutory services, to our communities for the future.

Under the latest proposals, key urban regeneration locations will include Wirral Waters, for which the masterplan was created by Peel L&P to create a mixed-use, high-density, highly sustainable project that will elevate and regenerate 500 acres of former docklands to the benefit of the existing community.

### Proof it Works

- One of the Council's flagship projects, Wirral Waters, is the biggest brownfield regeneration in the UK. Building work is now underway on three major residential sites to create 1000 new homes.
- We are rebuilding Birkenhead town centre as a first choice venue for Wirral residents.

Key areas in Birkenhead and Wallasey will also play a crucial role in helping to deliver housing needed for the future and the Council continues to work with the Wirral Growth Company to deliver its regeneration plan.

Regeneration is also expected to attract new businesses to the area, creating jobs and increasing business rates revenues, as well as providing an environment for existing businesses to grow.

## 7. Delivering Leading Edge Services

### Why it's Important

- Joining up services can improve them for the general public, working with one person from one service to get the help they need.
- Protects public services, making them stronger and able to withstand national cuts as well as meeting local needs.
- Wirral's public services are now the most joined up in the country.

### Proof it Works

- A 30% reduction in youth offending through the Safer Wirral Hub.
- The highest ever rate of disabled people in employment, through our social care – NHS services.
- More than 3500 jobs created through supporting the private sector with our Chamber partnership.

Every Council department is reprioritising and finding efficiencies to make sure the Council is working as well as it can for the long term future of the borough. The Council is continually reviewing its services to ensure they are fit for purpose. This will be done by:

- Testing if the service is providing value for money for customers.
- Benchmarking costs against other Council's in the region 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 we redesign a service that is fit for the future.
- Consulting customers on what they think of the service and whether they value it as important to them.
- Considering whether to divest in the service where it is not meeting customer needs or providing value for money.
- Examining whether services should be provided in an alternative way and/or by an alternative provider.

Partnering with other organisations enables us to provide the right services in the right way, as supplying better services is not about the organisation we work for, it's about the communities we serve.

## 8. Ensuring Efficiencies

### Why it's Important

- We've absorbed huge increases in demand for services, as well as massive cuts.
- We've lost 35% of our workforce over the past decade, but haven't closed services.
- We're keeping things going, making our money go further.

### Proof it Works

- We have invested £20m into children's services. No other Council in the country can make that claim.
- Children's services are quickly improving, receiving constant praise from Ofsted.
- Protecting these services and investing in what is most important would be impossible without generating revenue.

Through the Children and Families Improvement Programme, the Directorate received a much improved report from Ofsted. While there is still significant work to be done to improve in this area, progress has clearly been made as a result of recent investment in Children's services.

The Worksmart project enables smarter and more efficient working practises, therefore staff are able to work anywhere in the borough at any time which suits their work-life balance.

Integration of Adult Care and Health Services alongside the CCG and trusted providers has enabled much better value to be drawn out of services provided to the most vulnerable. This transfer of Adult Social Care Workers has meant that where people receiving care services previously received two visits from the Council and NHS - now they only receive one, meaning they only have to recount their health and social care needs once. This integration has resulted in the Council being able to mitigate demand pressures of £22.1m over the four year medium term financial horizon.

Over 10 years, our workforce has declined by 35%. Services are not provided in the same way they were ten years ago and customers are demanding different ways of interacting with the Council, some of which do not require human interaction.

Digitalisation continues to play a major part in providing better value for Council services. The past decade has seen the Council digitalise as much of their service as possible in order to make the customer journey as smooth as possible.



## 9. Empowering Communities

### Why it's Important

- We are keeping money within the borough by using local suppliers where we can.
- Reinvigorating local town centres by encouraging SME's back onto our highstreets.
- Empowering communities to be more independent through continued investment in social infrastructure.

### Proof it Works

- 47% of Council spend is with local suppliers. Our social value policy has enabled us to get more for less, including more apprenticeships and an improved public realm.

2020/21 will be a key year for our Community Wealth Building Strategy. Working with anchor institutions, we will be able to map our local spend and increase our local targets to ensure more wealth is kept within the borough.

Working with our partners will determine whether we have adequate policies and procedures in place to ensure there are opportunities for workers to progress within organisations and ultimately, keep talent within the borough.

This strategy stems right from early opportunities within schools and latterly with Wirral Metropolitan College, to enable the right subjects and courses to be available for our young people to become vocationally trained according to gaps in the job market.

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



## 10. Financial Challenges

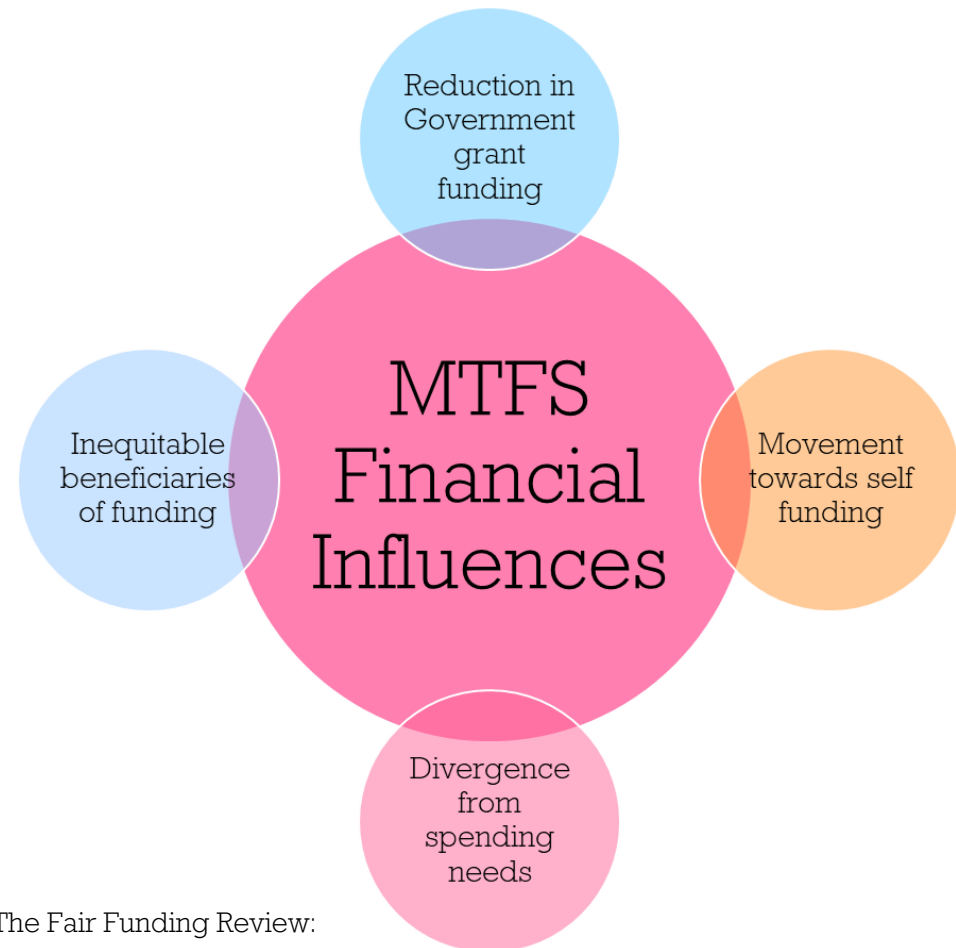
The MTFS sets out anticipated levels of funding and financial pressures for the next five years.

Forecasts are kept under constant review as changes occur and decisions are taken. Changes can result from inflation, financial pressures and changes in expected levels of income such as Council Tax. The biggest influences on the Council's budget are the continuation of reduction in government grant funding and a movement towards self funding for all Councils.

Wirral continues to be a participant in a pilot scheme operating across the Liverpool City Region, which allows the Council to retain 100% of all business rates paid. Other Council's who are not participating in the scheme only retain up to 50% of business rates revenues, supported by other Government grants. However, the Government is considering plans to move to a 75% retention scheme which could result in a 25% reduction in Wirral's income from business rates unless compensating grant income is provided to bridge the gap on transition.

The aim of reforms to the Business Rates Retention Scheme is to provide stronger financial incentives for Council's to boost local economies and tackle the underlying drivers of spending need.

However, changes may see income resources of Council's diverge from their spending needs. There is a tangible risk that affluent areas with the potential to raise more income may benefit whilst poorer areas may be likely to suffer. This is currently being considered as part of the Fair Funding Review (FFR).



The Fair Funding Review:

- Commenced in late 2017.
- The outcomes of which are now expected to be implemented in 2021/22, following delay; and
- Further consultation regarding the Council's ability to generate income will be undertaken.

The outcome of the FFR is anticipated to have a major impact on the distribution of funding between Councils in England.

The paper is a key part of the development of a new funding formula that will assess the spending needs and available resources in every Council.

## 11. Saving Money With Growing Demand

Wirral's real term cut in revenue spending power has been confirmed by the National Audit Office as 35.1% from 2010-11 to 2017-18, with a 52.8% reduction in Government funding.

The Council is determined to offset the reduction in grants through a large share in growing business rate incomes, council tax and fees and charges. In addition to this, the Council will continue to restrain its costs as far as possible.

Despite costs being contained, the Council still continues to face an increase in expenditure and unavoidable financial demands. The assumption is that inflation is absorbed within budgets and only specific contracts receive budgeted inflationary increases.

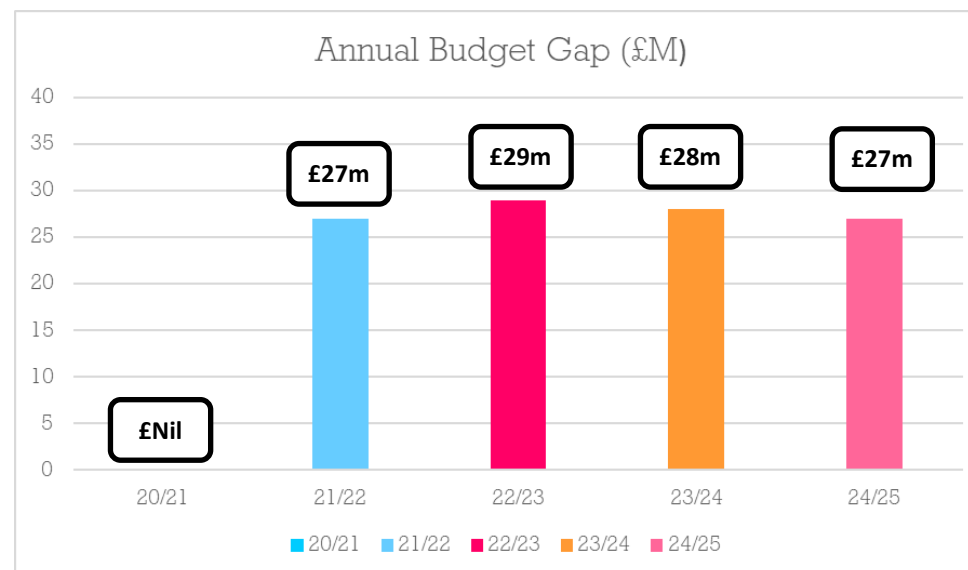
Inflationary challenges are one element of the financial pressures faced. The continuous rise in demand led pressures for social care both in Children's and Adults Services adds to the pressures faced by the Council.

There are also unavoidable increases such as levy changes and pension increases. The Council has little influence in some of these areas over the costs it must incur.

The Council will continue to invest its financial resources on key Wirral priorities, and annual expenditure will be focussed on those areas that are most important.

The Government announced in December 2019, the key components of the Council's funding for 2020/21 through the Local Government Finance Settlement but uncertainties remain around future years funding.

The Council has been able to set a balanced budget for 2020/21 with support from some one off funding. However after this date there is a new funding gap to be resolved, with recurring annual savings of £27m—£29m still to be identified.



## 12. Addressing The Challenges

The MTFS projections contain anticipated cost pressures and changes that the Council has to manage.

Our main expected expenditure changes are:

- Demographic
- Policy
- Economic

There are areas where there may be additional costs to the Council in future years however these remain uncertain at present.

A key area to be addressed in the period of the MTFS is containment of demand for services, cost pressures and growth. Achieving this objective will require a focus on prevention, integration and digitalisation, seeking to find solutions through efficiencies and innovation, as well as seeking to generate additional income.

### DEMOGRAPHIC:

Investment in services for increased demands including greater houses.

**POLICY:** New service requirements,  
Government legislation and grant settlement.

**ECONOMIC:** Inflation & pay  
awards.

## 13. MTFS Approaches 2021/22 to 2024/25

### (i) Increasing Income Generated Locally

The future for Local Government finances is one in which the Council's aim is to be financially self sufficient.

This means that Wirral has to establish a strong and buoyant tax base and other sources of direct income, resulting in more income which will protect services.

#### For the Council Tax Base This Will Mean:

- Enabling new housing through planning policy and the Local Plan.
- Making sure 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 Aims Across The Period Are To:

- Increase the number of properties paying Council Tax.
- Setting a fair and equitable Council Tax rate within the guidelines set by Government.
- 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 level of outstanding debt for Council Tax.

Achieving sustained economic growth in Wirral will be a key driver of income generation.

The Council will provide the tools to encourage local regeneration leading to jobs and growth.

#### For Our Business Rates 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 prudential borrowing, our land or other financial mechanisms to encourage regeneration and jobs including new employment in newly developed spaces.

#### The Aims Across The Period Are To:

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

## 14. MTFS Approaches 2021/22 to 2024/25

### For Our Commercial Strategy This Will Mean:

- The introduction of new income sources through charges and trading, for example with local businesses, where appropriate.
- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by other local authorities for similar services.
- Ensure fees and charges are recognised as an increasingly important part of the financial resources of the Council.

### For Our Investment Portfolio 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 Council's overall financial standing, whilst operating within relevant guidelines and regulations.

### 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 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 the local area.

## 15. Reducing Costs

Improving and modernising the Council is about understanding and responding to the needs of our residents. This means getting services right on a daily basis.

Communities need assurance that we are providing value for money for the 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. Drawing on benchmarking and intelligence information on other Council's operations, we will review the cost and configuration of all services.

The use of benchmarking and predicative modelling technology, CFO insights will assist with this approach. 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 for comparison against others, not only nationally but in the context of their geographical and statistical neighbours.

We have also taken action over the past two years to reduce our reliance on agency staff and consultants, which has seen overall costs reduce from £9.7m in 2017 to £6.0m in 2019.

### The Aims Across The Period Are:

- To become 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 line with our priorities.
- Review mechanisms for delivering services to obtain the best fit for delivery to the residents of Wirral.
- Explore and enhance partnership working. Collaborating more with others in the public, community, voluntary and faith sectors, as well as reducing duplication and delivering better outcomes for residents.

## 16. Managing Demand

One of the methods to managing the pressures of inevitable increased demand is to use policies and service delivery models that reduce avoidable demand. Through reducing demand, the Council can focus on prevention and ensure residents receive a better service and experience.

The total financial resources 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 statutory services continue to be delivered and that services provide the best value for money.

The Council has examined and challenged the way services are delivered, and so they are looking for improvements in the effectiveness of services to produce savings. It has also challenged the methods of delivery and which departments are delivering the most cost effective services.

## 17. Investment

The financial position for the Council is challenging over the MTFS period. Despite this, the Council budget will continue to deliver funding to support spending more than £300 million per year on services.

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 the best value for money, with our partners and providers. The budget will continue to be invested in line with the Wirral Plan themes.

We are targeting our resources to those who need our help the most, which means there will be changes in our services - however, we are trying to deliver this in a way that is fair and equitable. We are also trying to promote independence, moving away from the Council providing everything and encouraging self help and community empowerment and resilience through Wirral Together.

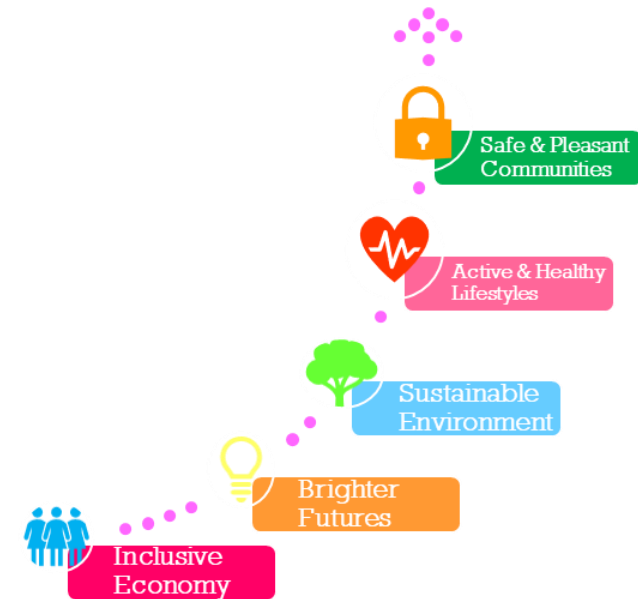
A key area for investment is Adult Social Care and Children's Services.

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

### The Aims Across The Period Are:

- Help children to stay within the borough 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.

## 18. Wirral Response to the Financial Challenges



The increasing deficit to 2025 coupled with the ability of the Council to continue to get 'the same for less' will become increasingly difficult.

The emphasis for future years will be on the 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 are at the heart of the organisation.

To be successful the Council will call on all Wirral residents to play their part. For example, becoming an active presence 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: Ensuring value for money.
- Reducing Costs: Managing demand and making communities more independent.



# 19. Financial Saving Proposals 2020/21— 2024/25

The focus of the MTFS 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 they need.

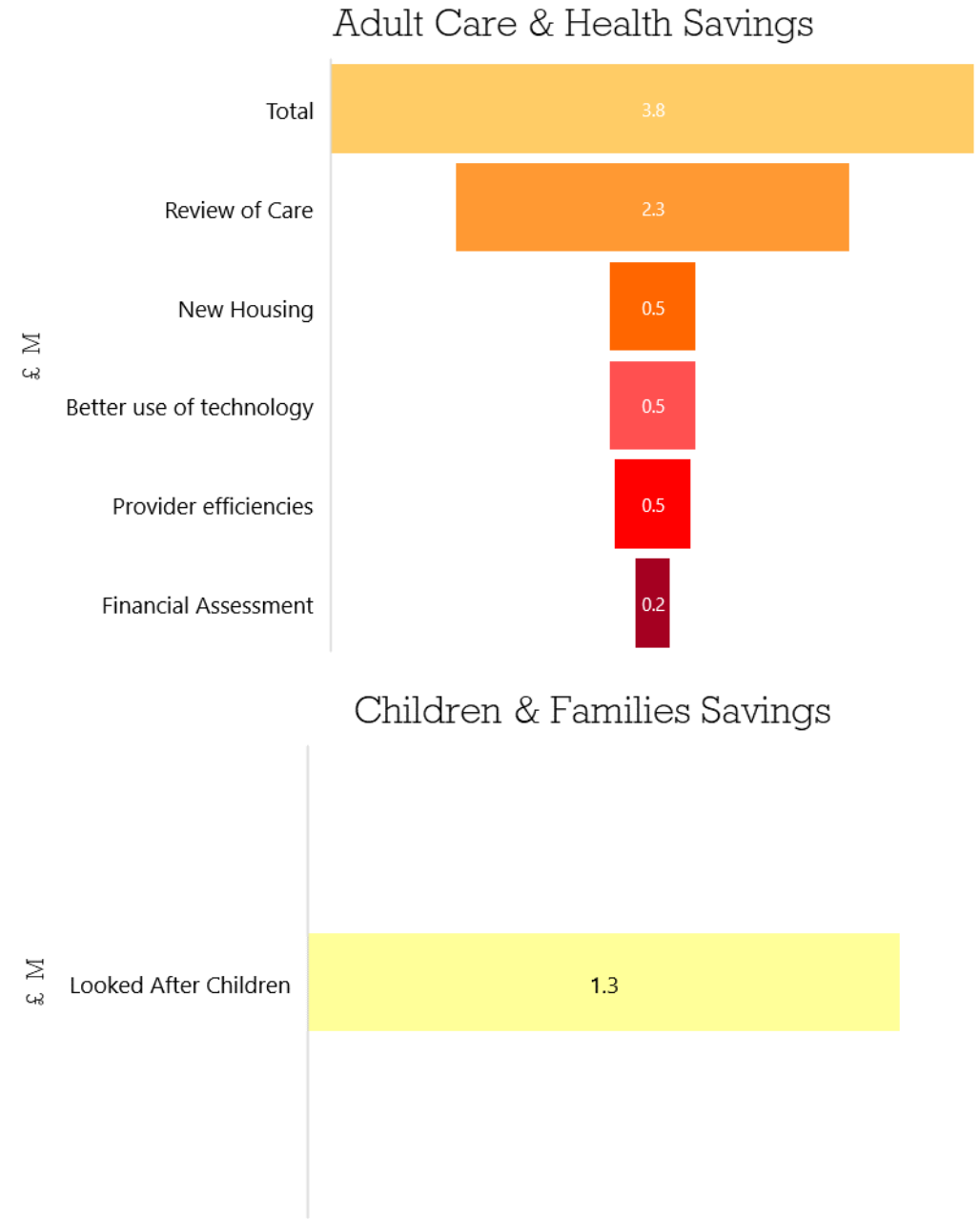
The MTFS and the 2020/21 budget are the next steps in resolving the financial challenges faced and moving to a more self sufficient funding position.

Maintaining business as usual whilst modernising services and regenerating the local economy will be the future focus to target our resources. Establishing the correct baselines to do this is an essential component of our delivery and the MTFS sets out how we plan to do this in line with our financial principles.

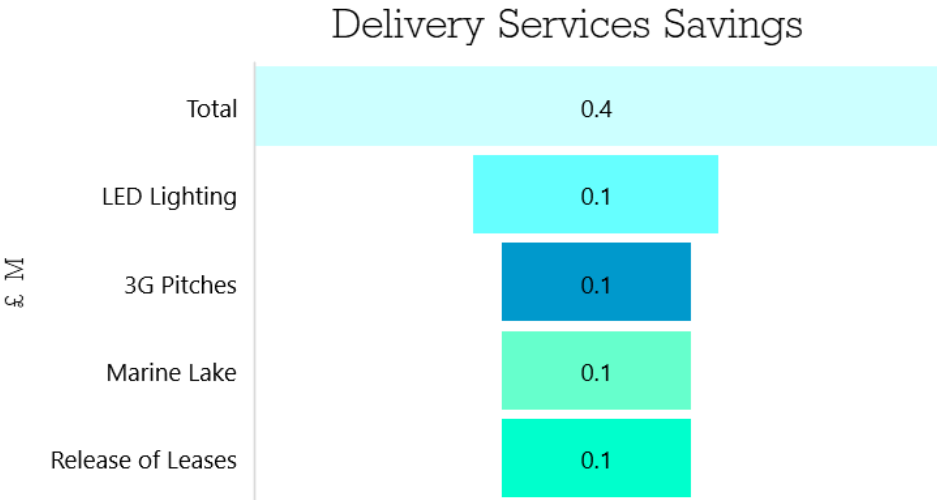
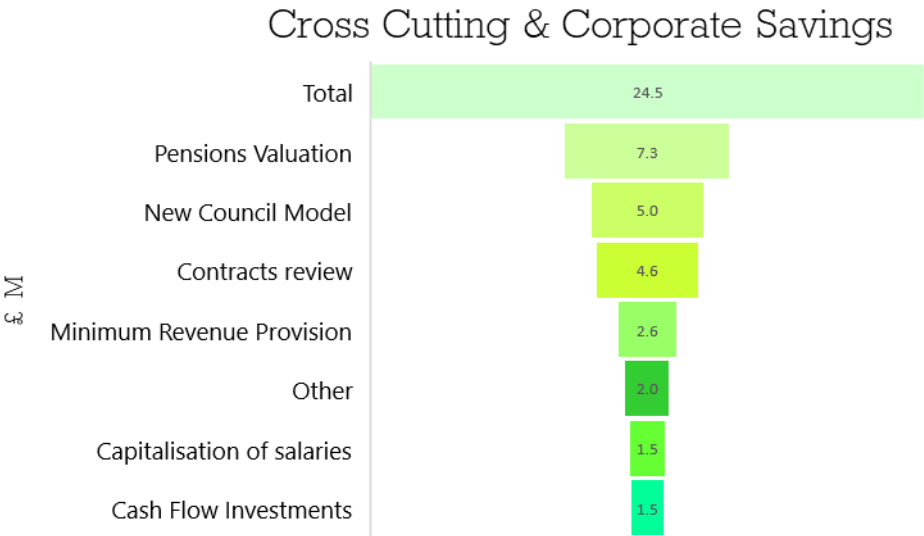
The charts opposite (and on the following page) provide a summary of the £30m of financial saving proposals by Directorate identified as part of the 2020/21 budget process to balance the 2020/21 budget.

Over the medium term a gap still presents to 2024/25 and in the absence of confirmed future funding from Government, the Council will continue to work on proposals to address the gap.

This will enable the proposals to be assessed for their acceptability, feasibility and deliverability before undertaking any necessary consultation and being agreed in the Committee structure to go forward for implementation to balance the four year budget gap.



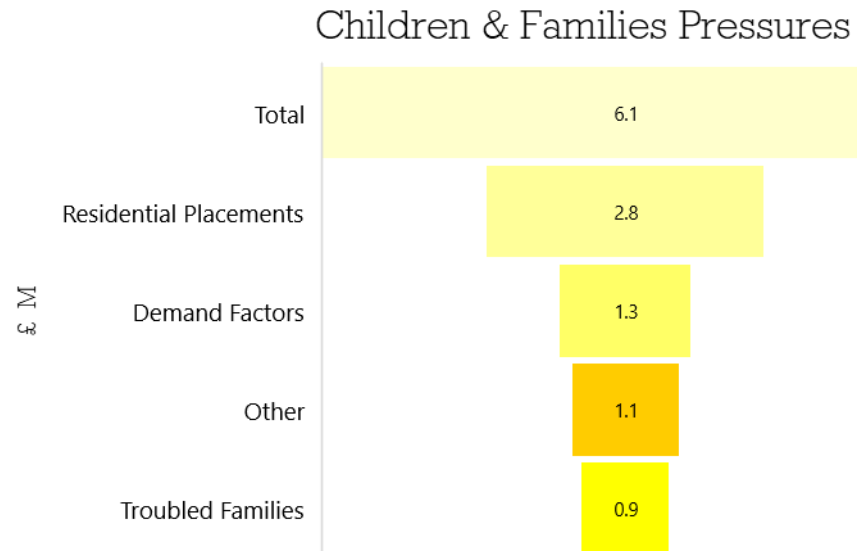
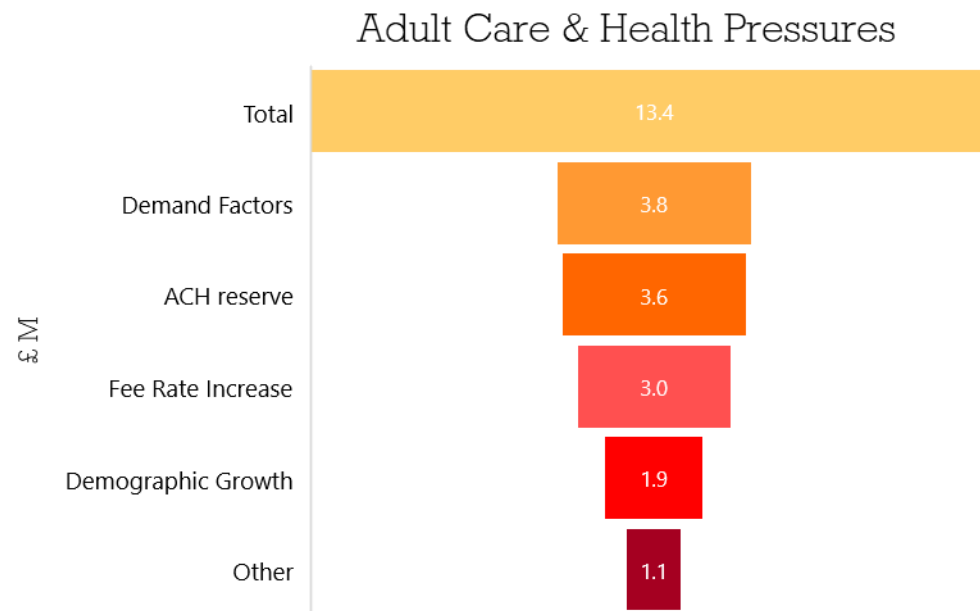
19. Financial Saving Proposals  
2020/21— 2024/25 (continued)



## 20. 2019/20 Budget Pressures

The charts opposite (and on the following page) summarise total financial pressures of £38m by Directorate - as identified as part of the 2020/21 budget process.

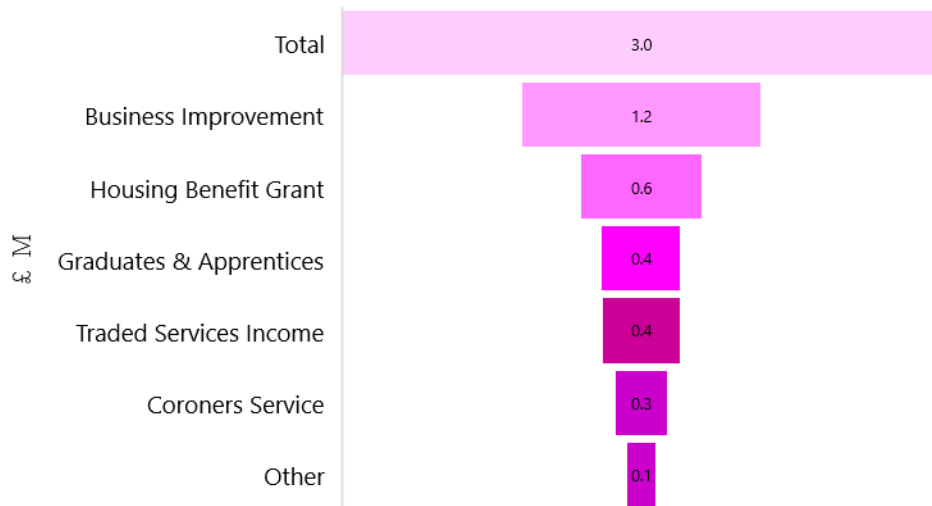
These pressures are expected to be offset-offset by a combination of savings proposals outlined in Section 19, confirmed funding from the Local Government Finance Settlement and use of one-off funding from capital receipts and reserves to balance the 2020/21 budget.



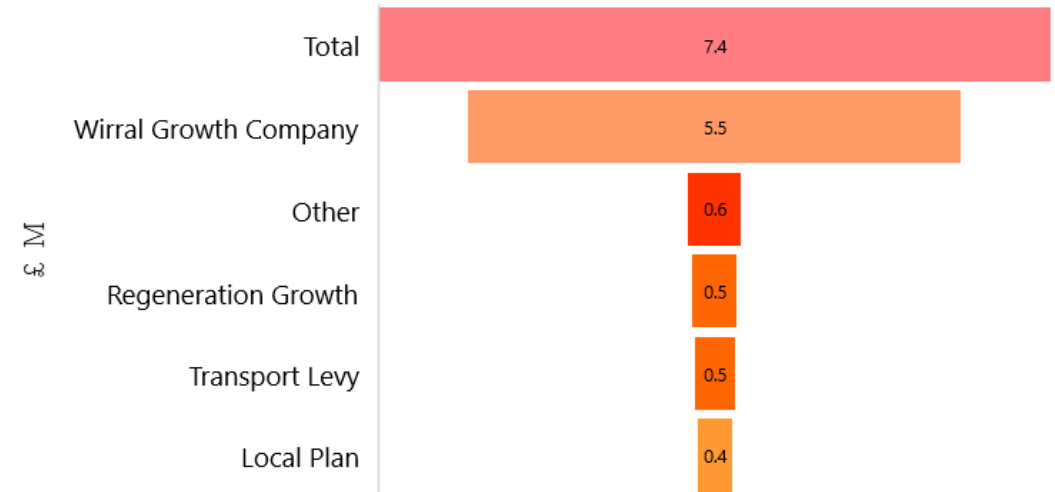
## 20. 2019/20 Budget Pressures (continued)

The charts below (in conjunction with those on the previous page) summarise total pressures of £38m by Directorate - as identified as part of the 2020/21 budget process.

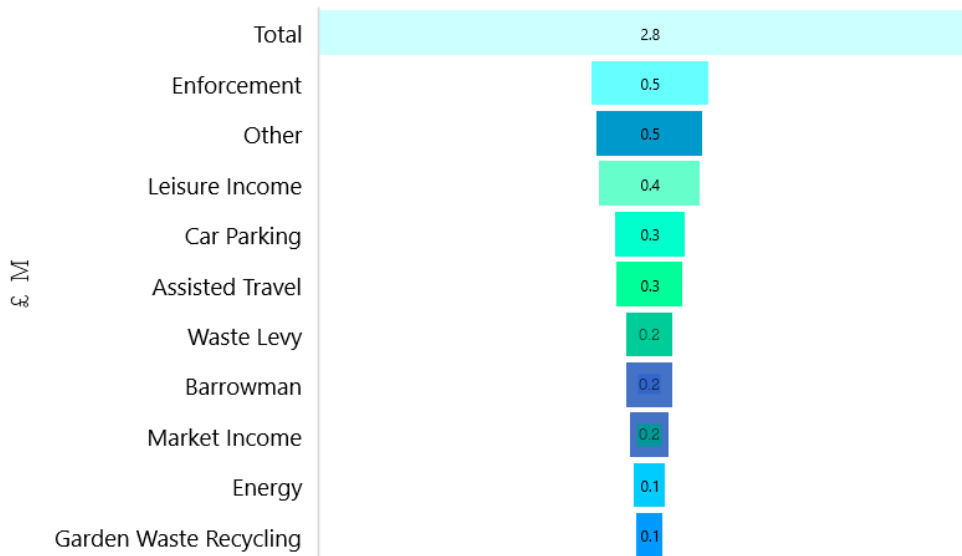
### Business Management Pressures



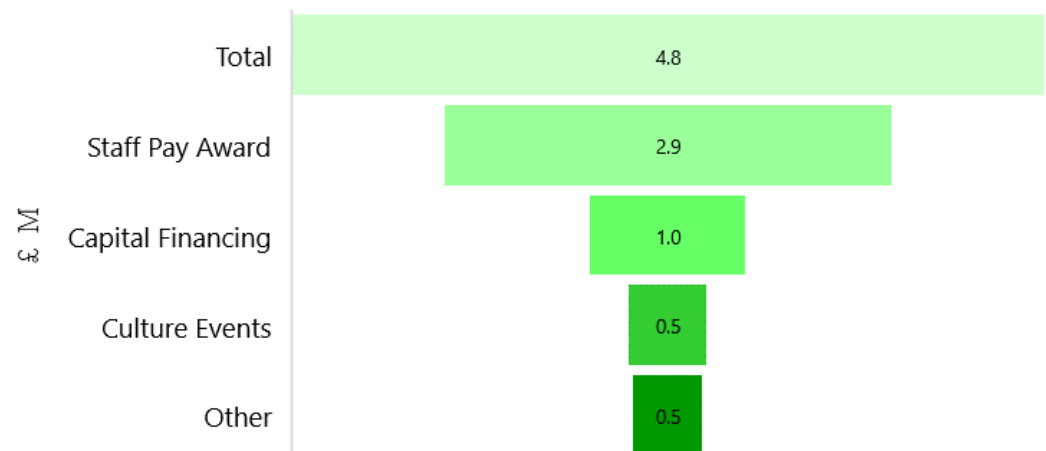
### Economic Housing & Growth Pressures



### Delivery Services Pressures



### Cross Cutting & Corporate Pressures



## 21. Conclusions and Next Steps

The financial challenge is considerable.

For the Wirral, this means a funding gap of almost £30m a year for each of the next 5 years, from net expenditure budgets of c £300m per annum.

To respond to and deliver the Wirral Plan 2025, over the period of the MTFS, Wirral Council will increase income, invest in services, manage demand and review service provision through supporting local communities to be more independent.

The total financial resources of the Council and its partners needs to be maximised, prioritised and channelled to the right areas and activities. All financial planning activity will now be targeted towards ensuring that resources are matched to the priorities identified in the Wirral Plan, ensuring that services continue to be delivered and represent best value for money.

Successful delivery of the Wirral Plan and the MTFS in this challenging period is dependent on:

- Continuation of a new and focussed approach to economic development in the borough. Driving jobs and growth being the key to increasing funding levels. Economic development will also improve wellbeing for residents and bring individual organisations financial stability.
- A community approach to decisions and delivery with active community involvement, resulting in communities finding their own solutions.
- Focus on early help and prevention to support independence and reduce demand on services.
- Prioritisation of resources to key areas.

The MTFS and budget development for 2020/21 will reflect the realignment of the Council, allocation of resources and its approach to financial strategy over the next five years.

This will drive approaches that will also lead to balanced, sustainable budgets that supports all Wirral residents, communities and businesses.

# Financial Resilience Plan



## 22. 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 seeks to address. To be able to cope with financial shocks and unpredictable events is key.

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 might take place.

In improving our financial resilience, two methods emerge as the most effective in doing so:

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

## 23. Financial Resilience

Financial resilience is a key part of the MTFS period through to 2025 for the following reasons:

- **Increasing financial pressures:**

This pressure on Local Government is raising the profile of financial resilience in the sector. High profile examples such as the Northamptonshire County Council demonstrates that the sector is facing several stresses and strains following the austerity programme.

- **Reliance on one-off funding:**

The reliance on one-off funding such as balances

and in year solutions have mitigated any adverse financial pressures that have developed in major service areas part way through the financial year.

Following this, key issues have been identified:

- A reduction in earmarked reserves. Increasingly, earmarked reserves have been used as temporary budget funding whilst budget proposals have been implemented.
- Short term financial planning. The budget for 2020/21 is based on a single year's funding, as confirmed in the Local Government Finance Settlement in December 2019.

Funding for future years remains uncertain, making planning for future years difficult.

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



## 24. Vision for Wirral and its Finances

A combination of financial pressures in the last few years, combined with increasing challenges in future years as well as organisational challenges make it an important priority to maintain focus on the Council's approach to its financial resilience. Building our 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 challenges and changes over recent years.

Within this context, the MTFS and the annual budget will continue to prioritise the objectives of the Wirral Plan 2025, protecting our services for the most needy and vulnerable. Operating in an environment of reduced Government funding and striving towards becoming a self funding body means that the Council needs to plan for a resilient budget that includes strong income sources to protect key services for our residents.

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

- A balanced annual budget.
- Growing and diversifying income generation, sustainably.
- Maximising returns from Council investments with a prudent approach.
- Maintaining investment in key services and outcomes that support the Wirral Plan 2025.
- Maintaining the right level of earmarked reserves and general fund balances to protect Council services and mitigate against future risks.
- A capital programme aligned to achieving the outcomes in the Wirral Plan 2025 and maximising investments to save opportunities.
- Maximising income generation and collection.
- Using best practise financial management and control of Council budgets.
- Minimising 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 stability and achieve what it is seeking to accomplish over the period.

There are four key elements to our financial resilience strategy:

- Getting routine financial management right.
- Routinely benchmarking our services.
- Clear plans for delivering savings.
- Prudent use of reserves.

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

- The future delivery of the MTFS and annual budgets.
- Members and senior officials setting a tone that financial discipline is important.
- Focusing the finite resources of finance and audit on 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.

## 25. General Fund Balancing & Earmarked Reserves

The maintenance of General Fund Balances and Earmarked Reserves at an appropriate 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 are based on Wirral's local circumstances. The amount held is decided by the Council in line with its perceived future local demands.

This is particularly important in an environment where future funding remains uncertain.

In determining the appropriate level of reserves, the section 151 officer assesses several local factors. In determining the appropriate level for the General

Fund Balance, the Council has to consider the strategic, operational and financial risks facing it.

This approach is supported by Grant Thornton (the Council's external auditors) and by CIPFA (Chartered Institute of Public Finance and Accountancy - a professional body which issues 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 and should only be used if unforeseen difficulties emerge.

- Ensure Earmarked Reserves are set at a reasonable level to cover specific financial risks faced by the Council. This may also be used on a short term temporary basis for other purposes, provided the funding is replaced in future years.

Over recent years the overall level of available reserves has continued to decline. Previously, one-off funding has been used to close the budget gap. In 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.

## 26. General Fund Balances

Wirral Council's risk based strategy is applied in the context of the current state of the economy, other financial risks facing the Council and the underlying financial assumptions within the MTFS.

The setting and justification of the General Fund Balance, at a minimum of £10m for 2020/21, is part of the MTFS and is consistent with previous years. It is crucial the Council has sufficient contingency in this reserve to maintain financial standing and resilience. For Local Council's there is no statutory minimum level and it is for each Council to take local circumstances into consideration.

CIPFA guidance issued in 2014 states the chief financial officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include internal and external risks. The Local Government Finance Act 1992 states that Council's are required to consider their levels of reserves at least once a year.

In their paper, 'Local Authority Reserves and Balances', CIPFA state the following factors as relevant to determining the level of balances:

- Treatment of inflation and interest rates.

- Treatment of demand led pressures.
- Treatment of planned efficiency savings / productivity gains.
- The financial risks inherent in any new funding partnerships, major outsourcing agreements 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.

## 26. General Fund Balances (continued)

In determining the appropriate level of General Fund 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 foundations for determining the level of General Fund balances are consideration of risks, available funding and a percentage factor, which

will vary according to the level of risk to produce 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 2020/21 has been made. The risk factors used in the Council's assessment follow CIPFA guidance.

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

	2020/21	2019/20
<b>Assessed Minimum Level of Balances</b>	£10m	£10m

It is anticipated that this level will be maintained across the MTFS timeline.

## 27. Earmarked Reserves

The Council maintains Earmarked Reserves in addition to General Fund Balances which are set aside for specific purposes. The Council is obliged to maintain a number of legally restricted reserves - sums of money that the Council is required to set aside for legally defined purposes. These 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 key categories for Earmarked Reserves are as follows:

- Insurance & Taxation:

Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims.

- Business Rates:

To cover potential costs of appeals.

- Schools Related:

Balances and sums for schools-related services

which can only be used by schools and are not available to pay for Council services.

- Support Service Activities and Projects:

Includes Government Grant funded schemes when a grant is received and the sum of money is earmarked for the completion of programmes.

## 27. Earmarked Reserves (continued)

A robust reserves strategy is a key part of the financial resilience of the Council and provides the first line of defence in underpinning the statutory requirement to set an annually balanced budget. Adequate reserve levels help to 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.

In recent years the Council has increasingly relied on reserves in balancing the budget and in meeting service related demands. Actual General Fund and Earmarked Reserves have reduced significantly in recent years. Looking forward, reserves are

forecast to reduce by a further £8m by 31st March 2021.

The experience at Wirral is common to other Council's.

## 28. Monitoring and Management:

Compliance against a benchmark for General Fund Balances is monitored on a regular basis. 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.

## 29. 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.

## 30. 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 2020/21 to 2024/25 based on:

- A General Fund balance of a minimum of £10m, which has been assessed as reasonable given the financial risks the Council is facing.

- Current levels Earmarked Reserves.

The Council uses its reserves instead of making budget reductions, therefore the level of reserves held will only reduce as reserves are used.

Using reserves means that the Council is less likely to be able to fund unforeseen events or plan for further reductions in expenditure.

Bolstering reserves to fund future changes and provide financial resilience during the MTFS timeline remains a financial priority.