

POLICY AND RESOURCES COMMITTEE**Wednesday, 7 October 2020**

REPORT TITLE:	2020/21 & 2021/22 COVID-19 BUDGET POSITION STATEMENT
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

The report provides a summary of the Council's financial position following the Covid-19 pandemic. The report highlights the impact on the Council's 2020/21 and 2021/22 budget following the onset of Covid-19 and the actions in place to mitigate the deficit. The report also describes the support available from HM Treasury in mitigating the deficit and asks the Committee for approval to submit a formal application for support and highlights the options available if this support is not forthcoming.

The report provides information on the additional government funding provided to support the Council's emergency response to Covid-19.

This matter affects all Wards within the Borough.

This is a key decision

RECOMMENDATION/S

- (1) That the Policy & Resources Committee recommends to Council that an additional £99,731,884 be added to the budget for 2020/21 as a result of additional one off Government funding received since the 2020/21 budget was set on 2 March 2020 to either be spent or passported to support the emergency response to Covid-19 or returned to the Government by 31 March 2021. This is described in Section 5 of the report.
- (2) That Policy and Resources Committee support the formal application to MHCLG to request a capitalisation directive from HM Treasury on the Council's behalf. This is described in Section 6 of the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Council has received £99,731,884 Government funding to support the emergency response to Covid-19. This comprised funding directly for use by the Council in funding the Councils emergency response of £32,500,399 and funding to be passported to other organisations on behalf of the Government of £67,231,484 as described in paragraph 5.1.
- 1.2 The funding was received after the 2020/21 budget was set on 2 March 2020. Therefore, retrospective Council approval is required to include this one-off funding as part of the Council's 2020/21 budget and to approve the spending in accordance with the Government guidelines.
- 1.3 The Council is currently forecasting an in-year deficit of around £22m as a direct and indirect result of the impact of Covid-19. MHCLG have stated that Councils can ask them to request a capitalisation directive from HM Treasury on their behalf to capitalise costs resulting from the impact of Covid-19.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Committee could not recommend to Council to approve the changes to the Council budget, however Full Council must approve any changes to the approved budget as set out in the Constitution.
- 2.2 The Committee could not take the decision to approve the submission of the capitalisation directive to MHCLG, however this would result in the Council not being able to balance it's budget for 2020/21 and could result in the issuing of a s114 notice.

3.0 BACKGROUND INFORMATION

- 3.1 As part of the annual budget setting, monitoring, and reporting process, the last report received by Members regarding the 2020/21 budget position was the Quarter 1 monitoring report that was presented at Cabinet on 27 July. The Quarter 2 monitoring report is not due to be presented to Members until November 2020 so it is pertinent to update Members at this first Policy and Resources Committee of the current position regarding the Council's budget for 2020/21 and 2021/22.

4.0 UPDATED COUNCIL BUDGET 2020/21

- 4.1 In compliance with their statutory responsibility and in accordance with the provisions of the Local Government Finance Act 1992, the Council set and approved a balanced budget on 2 March 2020. This represented a total net budget for the Council of £304.7m. The breakdown of the budget by Directorate was as follows:

Directorate	£m
Regeneration & Place	38.275
Neighbourhoods	55.690
Children, Families & Education	98.823
Adult Care and Health	105.904
Resources, including Law & Governance and Chief Executive's Office	6.005
Total 2020/21 Net Budget	304.697

- 4.2 Since the budget was agreed the global Covid-19 pandemic struck and the Council's response saw emergency decisions that resulted in changes being made to the approved budget of March 2020. These changes require formal approval by Council as the Council's spending for the year 2020/21 will exceed the Budget set by Council in March 2020. This is highlighted in Section 5.
- 4.3 Following the Council's Chief Officer restructure agreed on 2 March 2020, some functions moved Directorates. As a result, the current Directorate budget structure is as follows:

Directorate	£m
Regeneration & Place	36.623
Neighbourhoods	60.686
Children, Families & Education	81.014
Adult Care and Health	106.912
Resources	11.477
Law & Governance	6.611
Chief Executive's Office	1.374
Total 2020/21 Net Budget	304.697

5.0 WIRRAL BOROUGH COVID-19 FUNDING

- 5.1 Since the pandemic arose, the Council has had to ensure the services it provides to respond to the emergency are adequately resourced. The Government has made funds available to enable this to happen, alongside several other sources of funding that the Council was paid to passport on as required by the Government. The value of funding the Council has received is included in the table below. Following the table, descriptions of the funding sources are also provided. All the funding will either be spent, passported or returned to the Government by 31 March 2021.

	Funding Title	Received for Council use £	Received and Passported £
(a)	Emergency Covid-19 Funding (three tranches)	23,937,380	0
(b)	Council Tax Hardship Fund	3,900,000	0
(c)	Emergency Fund for Rough Sleepers	4,000	0
(d)	Care Home Infection Control Fund*	1,185,880	3,557,641
(e)	Re-opening High Streets Safely Fund	286,292	0
(f)	Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund **	0	61,014,250
(g)	Local Authority Discretionary Grant Funding	0	2,637,750
(h)	Test and Trace Funding	2,733,018	0
(i)	Local Authority Emergency Assistance Grant for Food and Essential Supplies	453,829	0
(j)	Business Improvement District Funding	0	21,844
	Total Funding	32,500,399	67,231,485

(a) Emergency Covid-19 Fund – three tranches

On 19 March, the Government announced £1.6bn of additional national funding (Tranche 1) to support local authorities in responding to COVID-19. The funding was not ring fenced and was intended to help authorities address pressures they are facing across all service areas as a result of the pandemic.

For the first tranche of funding the allocation to individual local authorities was based on the Adults Relative Needs Formula (RNF) for £1.4bn of the national allocation, with the remaining £200m based on the 2013/14 Settlement Funding Assessment (SFA).

On 18 April a further £1.6bn of national funding was made available by the Government to support local authorities in dealing with the immediate effects of the pandemic (Tranche 2). Of this amount £6m was top-sliced nationally for a contingency fund for the Home Office to support fire authorities with the remainder allocated on a per capita basis using ONS population projections. It did not take into account the demand or need for services.

On 2 July further national funding of £500m was announced to reimburse Local Authorities for direct COVID-19 related expenditure (Tranche 3). The allocation used for the third tranche was a combination of the allocations of the previous two tranches.

(b) Council Tax Hardship Fund

A Council Tax Hardship Fund was announced as part of the Government's March 2020 Budget. This funding would allow more than 10,000 people currently in receipt of working-age Local Council Tax Support in 2020/21 in Wirral to receive a further discount of up to £150 from their Council Tax Bill. In addition, some of the allocation is expected to boost the support available to the most in-need residents.

(c) Emergency Support for Rough Sleepers

A total of £3.2m nationally was allocated by the government to help rough sleepers to self-isolate. The Council can claim a maximum of £0.004m which was calculated based on the

number of rough sleepers reported in the Autumn 2019 snapshot. The fund is to assist local authorities with funding to provide accommodation and support to people who are at high risk or have been diagnosed with COVID-19.

(d) Care Home Infection Control Fund

On 9 June, the government announced a national allocation of £600m for an Infection Control Fund. The fund is to support adult social care providers to reduce the rate of transmission in and between care homes and support wider workforce resilience. The allocation between authorities has been based on the number of care beds with an area cost adjustment applied.

The guidance provided was that each care home should receive an amount per Care Quality Commission registered care beds. The amount per bed represents 75% of the funding. The remaining 25% must be used for infection control measures, however local authorities are able to allocate this based on need and could include support for domiciliary care workforce measures.

* In September, a further £500m national funding was announced for further infection control measures to support further local enforced restrictions. Notification of this allocation to Wirral has not yet been received but could be estimated at around £3.5m

(e) Reopening High Streets Safely Fund

On 24 May the Government announced £50m nationally to support the recovery of high streets. The fund is to provide Council's additional funding to support business communities with measures that enable safe trading in public places. The fund had particular focus on high streets as well as other public places at the heart of towns. The Council has worked in accordance with the guidance issued by the Government when developing the scheme.

(f) Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund

From April the Council delivered grants to businesses, including funding of £10k for businesses currently in receipt of small business rate relief or rural rate relief, and for businesses in the retail, hospitality, and leisure sectors with a rateable value of up to £15,000. For businesses in retail, hospitality and leisure, a grant of £25k was available where their rateable value is between £15,001 and £50,999. The Department of Business, Energy and Industry Strategy (BEIS) provided funding of £63.6m to Wirral to meet these grant payments. This total included the allocation for the Local Authority Discretionary Grants Fund.

** This is the only element of funding that if not able to be spent on the areas included within the Government guidance, must be returned to the Government. Of the total £63.652m received, £11.2m will have to be returned to Government as despite the Council's best efforts to ensure all eligible businesses received a grant, this remains unspent.

(g) Local Authority Discretionary Grants Fund

Announced in May, the Local Authority Discretionary Grant Fund provided a fund equivalent to 5% of the unspent Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (as described above). Local Authorities had an element of discretion in awarding grants from this fund within guide criterion set by the Government. All successful businesses have received a standard grant payment of up to £10,000.

(h) Test and Trace Funding

On 22 May the Government announced £300m of national additional funding for local authorities to support them to develop and action their plans to reduce the spread of the virus in their area as part of the launch of the wider NHS Test and Trace Service. This funding would enable local authorities to develop and implement tailored local COVID-19 outbreak plans through, for example, funding the recruitment of additional staff where required.

(i) Local Authority Emergency Assistance Grant for Food and Essential Supplies

The Government announced a further £63m funding nationally, for Local Authorities in July specifically to use to support groups who are helping people struggling to afford food and other essentials due to COVID-19.

(j) Business Improvement District Funding

In May the government announced a national £6.1m programme of support for Business Improvement Districts to help cover their day to day costs for up to 3 months.

5.2 Places such as Wirral, with existing economic and health inequalities, have been disproportionately affected by Covid. This will have a short and longer term impact on demand for local services and the financial resilience of the borough. Ongoing resources will also be required to continue to address the pandemic locally as well as supporting residents and businesses to recover from the indirect health and economic consequences of Covid. Furthermore, the recent and increasing number of Covid cases recorded in Wirral during the late summer has resulted in the implementation of local restrictions commencing on 22nd September 2020. These enhanced local measures will continue to exacerbate financial pressures as ongoing shortfalls in Council income continue and some local businesses experience curfews to trade. MHCLG is carrying out a data collection to gather information on the impact COVID-19 is having on local authority finances.

6.0 2020/21 and 2021/22 CURRENT BUDGET POSITION

6.1 As a result of the pandemic, the year-end forecast for the 2020/21 budget as reported at Quarter 1 was an expected deficit of £30m. Since then, further funding has been provided by Government and information has been received from Government on a compensation scheme for lost income from sales, fees and charges as a result of Covid-19.

6.2 Taking the new third tranche of funding received of £3.2m and an assumption of £9m compensation for lost income from sales, fees and charges, plus some further adjustments, the 2020/21 year-end deficit forecast has been reduced to £22m.

6.3 This deficit is made up of (main items):

- £17m of unachievable original savings from the 2020/21 budget as a result of delays in progression caused by Covid. These are:
 - £5.0m new Council model and structure – *due to staff being redeployed on direct Covid activities and being unable to progress this saving*
 - £4.55m Contract reviews and renegotiations – *due to the fragility of the market as a result of Covid*
 - £3.75m Adult Social Care reviews and efficiencies – *due to the increased support that has been provided to the Care Sector to ensure it remains sustainable throughout Covid*
 - £1.27m Children’s Looked After Children reductions – *due to the inability to model looked after children as a result of increasing costs throughout lockdown*
 - £2.5m New investments and refinancing – *due to staff being redeployed on direct Covid activities and being unable to progress the saving*
 - £0.64m Zero Based Budgeting pilot - *due to staff being redeployed on direct Covid activities and being unable to progress the saving*
- £6m residual income losses after an assumption for compensation from the government scheme for sales, fees and charges losses
- £2m of unachievable capital receipt sales as a result of delays in progression caused by staff being redirected onto direct Covid activities
- -£3m of forecast savings as a result of vacancies

6.4 The Council must take necessary remedial and urgent action to deal with the significant deterioration in the financial position and return to a balanced budget position. Failure to consider and adopt reduction measures to the 2020/21 budget or find further funding from Government or elsewhere within year, will result in the issuing of a s.114 notice before year end.

6.5 To mitigate this, the Council can request permission from MHCLG to apply to HM Treasury on the Council’s behalf for a capitalisation directive. This means that the Council can charge any unmet 2020/21 and potentially 2021/22 deficits specifically incurred as a result of Covid to the capital programme. There would be a resulting revenue impact of this as the Council would need to borrow funds to pay for the capitalisation, which would need to eventually be repaid. As yet, however, it is not known how long the repayment would take place over so it is impossible to identify how much the cost of borrowing and the resulting revenue costs would be.

6.6 MHCLG have informed the Council that the process to agree a capitalisation directive will take some months from the date of application, and there is no guarantee that HM Treasury will agree to the request. The approval of a capitalisation directive from Government comes with certain conditions that the Council will be expected to fulfil first these are:

- A robust assessment of the current budget position and the direct and indirect financial impact of Covid-19
- A robust medium term financial recovery strategy to ensure the Council can secure a sound financial and sustainable footing
- Assurance that the Council has done everything it can in advance to mitigate the budget gap including:
 - Drawing down all useable reserves
 - Evidencing the requirement for all pressures and growth
 - Actioning and accelerating all the plans for savings to be achieved
 - Assessing all non-statutory services to determine why they are being provided and evidencing what beneficial outcomes they provide

MHCLG also require the Council to have these plans externally validated before the submission is provided and the Council has commissioned the Local Government Association (LGA) to carry out this work. Work is well underway to produce the information MHCLG require and if approved, an initial submission for a capitalisation directive will be made this week.

6.7 As a consequence of the forecast deficit in 2020/21 there is an ongoing impact for the 2021/22 budget. The unachievable savings that the Council is reporting that it is not able to make during 2020/21 are permanent savings and if not made in year, will still have to be made in 2021/22.

6.8 In resetting the Medium Term Financial Plan at Quarter 1 there was a forecast budget gap in 2021/22 of £45m. This was made up of (main items)

- £17m carried forward unachievable savings from 2020/21 (See above - If any of these can be mitigated in 2020/21, this value will reduce)
- £7m of existing pressures from contract, pay and levy increases
- £9m new pressures from Adult Social Care, Children's Social Care and Homelessness
- £7m assumed reductions of funding from Public Health
- £5m assumed loss of income from Sales, Fees and Charges continuing as a result of Covid

6.9 The total gap at Quarter 1 over the next two years was therefore £67m. As new restrictions come into force to mitigate against rising infection numbers of Covid-19, this gap is forecast to increase. Work is currently ongoing to quantify this; the assumption for loss of income and pressures in Children's Social Care are already estimated to be significantly under forecast.

6.10 If HM Treasury allows the capitalisation directive to be approved, the deficit for 2020/21 will be significantly reduced and can be offset by utilising some of the immediate actions listed below. If however the capitalisation directive is not approved

then the full £22m would need to be found before 31 March 2021 in order to balance the budget. There are two options to this scenario:

- (a) Utilise all the available savings already found from the options included as immediate actions below and if these do not meet the value of the gap, to utilise some of the Council's general fund balances. This is high risk strategy as the general fund balances currently stand at £10.6m which is 3.5% of the Council's net budget and a very low figure compared to the former Audit Commission guidance that general fund balances should be between 3% - 5% of the Council's net budget
 - (b) Issue an emergency budget. This would result in all the available savings already found from the options included as immediate actions below being utilised plus an immediate implementation of the longer term actions. The impact of this would be an immediate ceasing of all non-statutory expenditure until the budget can be balanced. If this scenario materialises, a report will be presented to Policy and Resources Committee in November outlining this process for approval.
- 6.11 A rejection of the capitalisation directive would also mean that any savings already identified in immediate actions would not then be available for use towards the 2021/22 budget. This would result in much more difficult decisions being taken on the longer term actions, and if these do not meet the 2021/22 budget gap then could potentially result in the issuing of a s114 notice.

Budget Deficit Mitigations

6.12 Since June, the Strategic Leadership team have been identifying options to mitigate the overall deficit and are working through a programme of immediate actions that can be taken now, and longer term actions to ensure the budget is sustainable for the future. This 'twin track' approach ensures that any immediate quick wins will not be implemented at the detriment of any longer terms proposals that will generate future income or result in future cost avoidance.

(a) Immediate actions. Status: Green - complete

- i. A review of the pressures and growth items that were provided in the 2020/21 budget to determine whether all these items are necessary and will be fully utilised during the year
- ii. A review of the budget savings agreed in the 2020/21 budget to determine whether, of the proposals that are currently assumed to be unachievable, there is scope for a proportion of these to be achieved
- iii. A review of the forecast capital receipts programme to determine whether there is any opportunity to progress the anticipated sales in 2020/21 that have been postponed
- iv. A review of the current budget forecast to determine whether, as a result of services being paused and buildings being closed due to Covid-19, there are any in-year savings that can be identified
- v. A review of earmarked reserves to determine whether any reserves can be used in-year to mitigate the budget gap from projects that can be delayed or stopped

(i) 2020/21 Growth Items

In March, Council approved £37.52m of pressures and growth items that had been calculated from:

- Unmitigated pressures in and before 2019/20 that were continuing into 2020/21
- New pressures as a result of changes to policy, legislation or Member decisions
- New pressures arising from contractual changes e.g. contract inflation, staff pay award
- Growth items to meet the Council's ambitions in the 2025 Wirral Plan

A review of these pressures and growth items is being undertaken and some pressures and growth items have been identified as not being fully required. Once these have been calculated the budget deficit can be reduced.

(ii) 2020/21 Savings

In March, the approved Budget included £29.85m of savings proposals. Following an initial review of these it was deemed that around £17m of these original savings were unachievable as a result of Covid-19. These are:

- £3.75m in Adult Care & Health mainly as a result of the fragility of the care market due to Covid-19
- £1.27m in Children, Families and Education as a result of not being able to make changes to the Looked after Children model
- £2.5m on Treasury Investments and Lobo refinancing as a result capacity of staff to progress these due to being seconded onto the Economic Resilience Cell for the first 6 months of the year
- £5.0m on the new Council Model as a result of the Chief Officer structure not being formally announced until June and staff capacity in HR & OD due to working full time on the Covid-19 response for the first 6 months of the year
- £4.55m on the Contracts review as a result of the fragility of the market following Covid-19 and staff capacity due to working full-time on sourcing and managing PPE

A review of these savings is being undertaken to determine whether there is any scope for a proportion of these to be made. Once these have been calculated the budget deficit can be reduced.

(iii) Capital receipts forecast

At the start of the year a forecast of £4.5m was included in the 2020/21 budget approved by Council to support the 2020/21 budget gap. This was the only temporary funding included in the 2020/21 budget as over the past two years the Council has been implementing a programme of reducing any reliance on temporary funding to balance its budget.

At Quarter 1 the capital receipts target was reporting an under forecast of £2.1m due to delayed sales as a result of staff being seconded into other areas to support the Covid-19 emergency response. There is an opportunity now to attempt to progress these sales to enable the remaining assumed receipts to be achieved.

(iv) Savings arising from Covid-19

As a result of services being paused and buildings remaining closed due to the pandemic, there are some areas of the budget that are currently reporting savings. These areas are described below:

Workforce costs

Since the pandemic all workforce costs have been paid in line with the approved budget, with the exception of a few minor changes e.g. the Maternity Pay Policy changed in July. The Council chose not to furlough any staff on the Government furlough scheme as guidance from the Ministry of Housing, Communities and Local Government (MHCLG) indicated that unless staff pay could be directly attributed to income received from commercial activities then the expectation from the Ministry was that Local Government would not furlough staff.

The Council does have income generating activities where staff are directly charged e.g. leisure, theatre etc however these services do not generate a surplus of income over expenditure and are supported by core Council budgets so staff pay cannot be directly attributed purely to income generating activities.

As part of the 2020/21 budget process a savings proposal was submitted for £5m savings from a new Council model. This was intended to be realised from a series of restructures, starting with the Chief Officer restructure agreed at the Employment and Appointments Committee on 2 March 2020 and cascading down through all Directorates. The Chief Officer restructure was not announced until June 2020 due to delays caused by Covid and as a result, the cascading of restructures has not taken place.

There is an opportunity for some savings to be made where posts have been held vacant for the first 6 months of the year, although there must be caution exercised not to duplicate any savings on staffing with a review of the savings that could be delivered from implementing the new Council Model, as highlighted above.

Premises Costs

At the date the national lockdown commenced on 24 March 2020. The majority of Council buildings were closed. Some buildings remained open for a short period of time so that they could be vacated and alternative arrangements made and two buildings at Sandford Street and Cheshire Lines have remained open throughout lockdown for logistical operational reasons e.g. cash collection, print office. Most schools also remained open.

All other premises remained closed until lockdown was relaxed when some buildings were reopened on a phased basis. The main ones and first to open included:

- Birkenhead Town Hall mainly for Registrars
- Cheshire Lines as a workspace for staff who were unable to work from home
- Floral Pavilion as a workspace and Community hub
- West Kirby Leisure Centre

Since lockdown expenditure has not occurred as expected on building related costs as a result of some buildings remaining closed. There is an opportunity therefore for some small savings to be made on premises costs.

This will only apply to a proportion of buildings however as any savings from premises where income generating activities are provided e.g. Leisure Centres and Floral Pavilion will have to offset any premises savings from the compensation claim for lost income from sales, fees and charges.

Transport costs

Under the Cabinet Officer Policy Procurement Note PPN 02/20 issued in March 2020, Local Authorities were asked to review their supplier portfolio and for suppliers identified as being at risk, continue to pay them as normal, even if service was interrupted until at least the end of June 2020. As a result, all the council's transport suppliers were paid as normal in line with the original approved budget. These included services for:

- SEN Transport 100% commissioned
- Adult Social Care Transport, 83% commissioned
- Merseytravel Transport Levy

Payments did continue for the SEN transport at 100% of the contracted rate and services were utilised in the distribution of PPE and emergency food relief. As a result, no savings have been made on contracted transport costs.

There are other transport costs however where there may be an opportunity for savings to be made. Whereas some staff have continued to operate as normal e.g. Children's Social Workers, Parks Staff, Highways Staff and Housing Staff, the majority of council workforce have not been travelling for work purposes. As a result, an opportunity arises in these areas for some savings.

Office supplies and services costs

In anticipation of a forthcoming lockdown, the Council trialled a working from home day for all staff on 18 March 2020. The success of this day resulted in an instruction for all staff to continue working in an agile way for the foreseeable future and the majority of staff have not returned to an office base since that day. The Council already had a comprehensive agile working policy in place and some Council staff were already operating successfully as agile workers pre-Covid. A plan was in place to roll this out to all staff over the next two years in readiness for a much reduced office base when the Council takes its headquarters in Birkenhead Commercial District in 2023.

Following the decision for buildings to remain closed after 18 March 2020 staff have successfully managed an accelerated fundamental change in the way they work which will never see the staff working in office accommodation at the same levels they were pre-Covid. This has seen a culture change in the way staff approach an agile or home office as there is now little or no requirement for general office expenses or the requirement to print documents as was happening before. This means that expenditure on various items of supplies and services is not taking place resulting in savings in these areas to be made.

However, the impact of most staff now working from home in very quick succession has meant that staff had not had the opportunity to equip their home environments for this way of working. The Council has therefore provided items of office equipment e.g. chairs, desks, monitors etc to staff upon request to enable them to continue to work in an agile way for the foreseeable future. A rise in mobile phone data has also occurred as staff are using mobile phones for longer, especially where home broadband connections are poor. Funding has

been made available from the government emergency Covid grant to pay for this and as a result does not impact the Council's 2020/21 budget.

Events

In the 2020/21 budget agreed in March 2020 a growth item was included of £0.5m to support the Council's events programme following the Borough of Culture Year in 2019/20. In September 2020 the Wirral Food and Drink Festival and Music Event was planned and did not take place. The event has been rescheduled to 2021 and as a result of this no or little expenditure will be incurred so will represent a saving.

(v) Review of Earmarked Reserves

The Council has around £41m of reserves that have been set aside for specific projects and will be intended to be spent on those projects. Of this total, £23m reserves are held under statute or those that are held on behalf of others and cannot be used to support the Council's budget. These are:

- School balances £7.9m
- Public Health £1.2m
- Section 106 agreements £0.8m
- Schools capital schemes £0.4m
- Enterprise Zone £0.4m
- Reserves held on behalf of others or ring-fenced grants £1.5m

The total also includes the Insurance fund where the Council self-insures for claims instead of using brokers. The value of this fund is £10.8m

Therefore, over half of the reserves held are unable to be re-purposed to support the council's budget. There does present an opportunity however to review the remaining reserves to determine whether there is scope to utilise some of these which would reduce the budget deficit.

(b) Actions resulting in longer term savings. Status: Amber – being finalised

As part of the normal budget setting process, to ensure a balanced budget can be presented to Full Council, savings options proposals are identified to mitigate the budget gap. This process usually commences in April to allow proposals to be presented that are feasible, achievable, and deliverable.

For the 2020 – 2024 Medium Term Financial Strategy and 2020/21 Annual Budget, a new process was established in autumn 2019. The Financial Sustainability Programme was a multi-year programme that was to enable:

- A rigorous monitoring process of 2020/21 once approved to ensure all savings were to be delivered as described
- Identification of savings proposals for 2021 – 2024 to ensure a programme of support could be established early on to ensure these proposals progressed with an escalation process for any issues that may arise
- A review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget

- The commencement of the Outcomes Based Budgeting programme that would see resources only aligned to evidence based beneficial outcomes. This programme linked to the new Target Operating Model which was also being designed at the time.

The programme was progressing well and supported the 2020/21 budget setting process. In March 2020 however, in response to the Covid-19 emergency, both the Programme Manager and Project Manager were seconded to manage the PPE hub and progress on the Financial Sustainability Programme halted. The staff, having returned from the PPE hub in August are now fully occupied supporting the Covid-19 recovery and remobilisation.

A new process to manage the 2021/22 budget has been put in place this year in response to tight timescales following the Covid-19 emergency and a transition year in establishing a new formal budget setting process following the establishment of the Committee system. This process is described in detail in a separate report on this agenda but in summary the following major programmes have been identified to support the 2021/22 – 2024/25 medium term financial strategy:

- Review of effectiveness of specific back office services to ensure they are fit for purpose, adding value and taking full advantage of digitalisation
- A full Cost of Care exercise for Social Care commissioned services
- A whole Council Prevention Strategy to reduce future demand and reduce costs
- A Zero/Outcomes Based Budgeting exercise to ensure resources are aligned to outcomes and only provided where beneficial outcomes aligned to the Council's priorities can be evidenced
- A full establishment review to ensure staffing resources are aligned to the Council's priorities, especially in light of additional capacity required following Covid-19
- A review of Adult Social Care pathways to ensure they are as efficient as they can be and are optimising and outcomes based care approach
- A strategy for reducing the cost of Looked After Children in the short to medium term while the Prevention Strategy can be implemented
- A review of the Council's assets to ensure the Council is only holding assets that contribute to its priorities
- Return on Investment modelling on the Council's income generating activities to ensure investment is only provided where a future return can be demonstrated
- A review of all Council contracts and contract management functions to ensure services are only commissioned that contribute to the Council's priorities and once commissioned are being managed effectively.
- The implementation of a new combined finance/HR/procurement critical business system

The outcome of this process will result in a range of proposals being taken to individual Service Committees during October and November for discussion and debate. The feedback from this debate will be presented to Policy & Resources Committee in December, (or January, pending the date of the Government's funding settlement) along with the suite of recommended budget proposals to consult the public on for the 2021/22 budget.

In recognition of the changing landscape as a result of Covid, the Council is reviewing its 2025 Wirral Plan and priorities to ensure it is fit for its purpose in light of the immediate and

longer term impact of Covid. This will drive the design and implementation of a new operating model for the Council and aligned to this, the programme of outcomes based budgeting will see resources only provided where beneficial outcomes can be demonstrated. This programme of work will take around 12-18 months to complete but should result in significant future savings being released, a proportion of which can contribute to any ongoing future budget gap and a proportion can be reinvested into long term prevention to avoid future increases in cost.

7.0 CONCLUSION

Much work is currently being undertaken to mitigate the minimum £67m two year gap for 2020/21 and 2021/22. The outcome of this work will result in a suite of proposals for each Service Committee being presented during October and November with a recommendation to Policy and Resources Committee in December/January for a suite of proposals for public consultation.

8.0 FINANCIAL IMPLICATIONS

8.1 This is a financial report and therefore all the relevant financial information is contained within the main body of the report

9.0 LEGAL IMPLICATIONS

9.1 The entire report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114 to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure. The current financial situation is at a point in time and further funding and flexibilities is awaited from Government to offset the budget gap. If this is not sufficient to offset the forecast and no alternatives can be found, this position will be revisited.

10.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

10.1 There are no specific implications from this update report however all of the proposals being developed will have implications for staffing, ICT and assets and these will be covered individually in the budget proposals that are presented to the Policy and Service Committees

11.0 RELEVANT RISKS

11.1 There is a risk that if the capitalisation directive is not approved by HM Treasury then an emergency budget will have to be set. However, this will be presented to Policy and Resources Committee in November or December 2020.

12.0 ENGAGEMENT/CONSULTATION

12.1 Informal consultation has been carried out with Members and MPs who have been kept apprised of the Council's budget situation as a result of the impact of Covid-19

13.0 EQUALITY IMPLICATIONS

- 13.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 13.2 Equality impact assessments where relevant will be provided for all of the individual budget proposals being presented to the Policy and Services Committees during October and November 2020. This report has no impact on equalities.

14.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 14.1 As a result of the budget proposals being submitted to the individual Policy and Services Committees during October and November, any environment and climate implications will be described in the individual proposals. This report has no impact on environment and climate

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APPENDICES

None

BACKGROUND PAPERS

2020/21 Budget Report
2020/21 Quarter 1 Budget Monitoring Report
Covid-19 JESIP forms
Government Covid-19 funding papers

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Full Council	2 March 2020
Cabinet	27 July 2020