



## **TOURISM, COMMUNITIES, CULTURE AND LEISURE COMMITTEE**

**26 October 2020**

<b>REPORT TITLE:</b>	<b>2021/22 BUDGET PROCESS</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF NEIGHBOURHOODS</b>

### **REPORT SUMMARY**

The report provides the Committee with the process for budget setting as a transition year for 2021/22 and describes the financial position for 2021/22 which as at Quarter 1 was deficit of £45m, and the actions being put in place to mitigate the gap.

These actions include a phased approach of 5 stages and includes the timeline for the 2021/22 budget setting process of when budget proposals are presented to the Policy and Services Committees for the recommendation to Full Council to set the 2021/22 budget.

As this is a transition year, proposals have been identified and will be presented to the Committee by Officers due to the tight timescale to approve the budget. However, the Committee is encouraged to identify their own proposals for Officers to work up, if within the timescale, to be included for the 2021/22 Budget. For future years this will become the usual process and throughout the year the Committee will be identifying proposals for Officers to work up for the following years budget.

### **RECOMMENDATIONS**

That the Committee note the Council's current financial position and process for the 2021/22 budget in this transition year.

## SUPPORTING INFORMATION

### 1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Policy and Resources Committee have responsibility for approving budget options that will be recommended to Full Council to set the annual budget. To enable the Policy and Resources Committee to recommend budget proposals to Full Council, the Committee needs to receive feedback from individual Committee's on those proposals.

### 2.0 OTHER OPTIONS CONSIDERED

- 2.1 The budget proposals are not presented to the Committee for consideration and are presented directly to the Policy and Resources Committee. However, this will not provide the Committee with the opportunity to take ownership of the proposals or to feedback to the Policy and Resources Committee on the outcome of the debate.

### 3.0 BACKGROUND INFORMATION

- 3.1 The Council must set a balanced budget by 11 March by law and the Local Government Finance Act, 1988 places certain responsibilities on the Chief Finance Officer, namely Section 114 (3): "*The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.*"

### 2020/21 and 2021/22 CURRENT BUDGET POSITION

- 3.2 As reported at Quarter 1 the year-end forecast for the 2020/21 budget 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.
- 3.3 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.
- 3.4 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
    - £4.55m Contract reviews and renegotiations
    - £3.75m Adult Social Care reviews and efficiencies
    - £1.27m Children's Looked After Children reductions
    - £2.5m New investments and refinancing
    - £0.64m Zero Based Budgeting pilot

- £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 Covid
  - -£3m of forecast savings as a result of vacancies
- 3.5 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, could result in the issuing of a s114 notice before year end.
- 3.6 To mitigate this, the Council has requested 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.
- 3.7 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.
- 3.8 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
- 3.9 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.
- 3.10 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.
- 3.11 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**

- 3.12 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.
- 3.13 The process to set a balanced budget for 2021/22 is described in 5 phases below:

### **Phase 1 – Immediate Actions**

- (a) Review of all 2020/21 unachievable savings to determine whether a proportion of these can be achieved
- (b) Review of 2020/21 growth/pressures to determine as a result of Covid, whether any assumptions have changed and if all the growth/pressures are required
- (c) Review of 2021/22 pressures to determine whether they are all still required and if so, at the same value
- (d) Review of earmarked reserves to determine whether any can be clawed back to be used to support the 2021/22 budget
- (e) Review of the 2020/21 budget forecasts to determine whether any savings as a result of Covid can be carried forward and used to contribute to the 2021/22 budget

### **Phase 2 – Directorate Proposals**

- (a) The identification of short term options proposals for Members to balance the 2021/22 budget from Officers. This is a continuous process and Officers will continue to submit proposals up to and beyond December 2020
- (b) The identification of medium to long term proposals to ensure the Council can be financially sustainable for the future. This process is being twin tracked with (a) to ensure no duplication or contradiction. This is a continuous process and will carry on into the Financial Sustainability Programme once this is re-established

### **Phase 3 – Categorisation of Proposals**

An initial grouping of proposals into four themes to support evidence based decision making for Members:

- 1) An assessment of whether statutory services provided are efficient, and where they are not to submit efficiency proposals
- 2) An assessment of non-statutory services of whether they are providing beneficial outcomes that support cost avoidance and demand reduction in statutory services, and where they are not to submit proposals as to whether to continue with those services
- 3) An assessment of income generating services as to whether they can demonstrate a future return on investment, and where they cannot, to submit proposals as to whether to continue with those services

- 4) An assessment of all back office functions to identify whether they are providing a value added service to support statutory and beneficial non-statutory services, and where they do not to submit proposals as to whether to continue with those services

#### **Phase 4 – Corporate Challenge**

A further breakdown of the four themes into 7 individual workstreams supported by a lead Officer to be accountable for ensuring progress against the workstreams. The themes are being led by a corporate challenge process to ensure all areas of the Council have been considered:

- 1) Service savings
- 2) Service effectiveness
- 3) Income & Traded Services
- 4) Contracts
- 5) Assets
- 6) Workforce
- 7) Prevention Strategy

As a result of this challenge a series of programmes have been identified to commence/have commenced with the aim of reducing costs across the Council in the immediate, medium and long term. These are:

- 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

#### **Phase 5 – Contingency Plan**

In the event of proposals generated by the first 4 themes do not equal the value of the budget gap, a contingency process is being developed. Once all the proposals

from the first four themes have been received and evaluated and the gap has not been met, other proposals need to be considered. The Council is not able to not set a balanced budget by law and where Members are not able to identify proposals to meet the gap, this would mean that the expenditure of the Council outweighs its funding and the Section 151 Officer would be required to issue a Section 114 statement.

The contingency plan is to identify for all services, how each service could continue with a 5%, 10% or 15% reduction in those budgets. These proposals would indicate to Members what the reduced service would look like, what the implications would be and what the risks are likely to be. In the event of not being able to bridge the budget gap with proposals from the first 4 phases of the process, Members would need to determine what level of risk they would be comfortable to accept in deciding to feedback to the Policy and Resources Committee on these phase 5 proposals.

This effective cut to services is high risk to the achievement of the Councils priorities and the Wirral 2025 plan as it will inevitably result in cuts in preventative services and in services and functions that will generate future savings and cost avoidance for the Council from additional income or reduced demand.

### **Comprehensive Spending Review**

- 3.14 The Government's Comprehensive Spending Review (CSR) is where the Government decide where to spend its resources in the following year. The outcome of this for Local Government is the funding settlement where Councils get to hear whether their funding has been increased, stays the same or is being reduced for the following year. The CSR was due to be take place ready for the 2020/21 budget planning process. As a result of Brexit this was postponed and a one year settlement was provided. This makes financial planning extremely difficult as temporary funding streams are uncertain and it is not known whether they will continue.
- 3.15 As a result of Covid-19, the Government have stated that they will 'do whatever it takes' to ensure Local Authorities are funded adequately to support the response, however no information or announcement has yet been provided about the indirect impact of Covid-19 e.g. an assumed ongoing reduction in sales, fees and charges and additional expenditure which are contributing to new pressures in 2021/22.
- 3.16 As the Local Authority funding settlement is not due to be announced until December 2020 it is very difficult to set the budget in advance. As a result, there is little choice at this stage to plan for a worst case scenario as statutory consultation needs to be considered within the budget setting timescale.
- 3.17 In the event of the award of a capitalisation directive and a more favourable settlement than planned for in the 2021/22 budget and beyond, the proposals put forward as part of the 2021/22 budget report can be adjusted after the settlement has been announced.

## **4.0 PLANNING FOR THE 2021/22 BUDGET**

4.1 During October to December, reports will be presented to the Policy & Resources Committee that update Members on changes to the budget gap. The reports being presented to the Policy and Resources Committee up to the time the budget is set are:

- October: Covid-19 position statement  
2021/22 Transitional budget process
- November: Budget update report
- December/January: Budget proposals to go out for public consultation
- January: Budget update report including the Government funding settlement
- February: 2021/22 Budget to be recommended to Full Council

4.2 The Council is in a position where it does not know, and will not know until December, what financial situation it will be fully facing for 2021/22. The Council will not receive a response to its request for a capitalisation directive from HM Treasury until late November and is unlikely to receive a revised local government financial settlement, in the light of the delayed Fair Funding Review and Covid budgetary approach from central Government, until December.

4.3 This means that the Committees are not in a position to fairly and fully propose funding options for consultation and recommendation to Council as a coherent legal and balanced budget for some weeks to come.

4.4 In the interim, Officers have been modelling scenarios and working with colleagues to test formed and unformed proposals and responses to these scenarios. When the situation becomes clear, proposals can be brought forward as tested and costed options upon which consultation can take place in a public sphere. Until that time, these options are best considered within working group and briefing sessions. For this reason, this public report sets out the broader situation and aspects of the scenarios will be tested with members of the Committee as a consultative exercise outside of the Committee.

4.5 A workshop will therefore take place on the rising of the Committee meeting. The courts recognise that such a meeting is acceptable, provided that the purpose is not to make any decision or exercise any delegation of powers. The purposes of such a workshop is to brief members on all scenarios and proposals, regardless whether they are fully formed, practicable or necessary in the eventual circumstance, and to allow Members and officers together to consider the best way to contribute to the development of proposals.

4.6 Once all relevant factors are known, officers will report back to this Committee or directly to Policy and Resources Committee, depending on which is scheduled first, in order to take formed proposals forward for consideration and consultation.

- 4.7 The objective of the workshop is to debate and discuss budget options considering the factors below:
- Impact on residents
  - Impact on the workforce
  - Impact on Wirral as a place
  - Level of risk
  - Impact on the future ability of the area to generate income or avoid future costs
  - Whether the service is Statutory
  - Where the service is non-statutory, what beneficial outcomes it generates
- 4.8 Committees are encouraged to identify and submit their own ideas for proposals for Officers to work up, within the budget timescale at the workshop.
- 4.9 Committee Members may find it helpful to rank the options numerically in providing feedback to the Policy and Resources Committee in December or January (depending on the date of the Government funding settlement) and the Committee will be presented with the suite of proposals for consideration for public consultation.
- 4.10 Where proposals are still being developed, they can be fed into the process at any time, through individual committees to Policy and Resources. Members must be mindful however, of the Council's obligation for public consultation where late proposals miss the December/January Policy and Resources deadline.
- 4.11 The consultation process will take around 4 weeks and updates will be presented to the individual committees during January and February with the outcome presented to the Policy & Resources Committee in February 2021 with a full budget package to be recommended to Full Council to set the 2021/22 budget in March 2021.
- 4.12 Where the Policy and Resources Committee fails to identify sufficient proposals from the 5 phases that have been submitted by Officers, rejects any proposals for implementation, and fails to identify any alternative proposals to recommend a balanced budget to Full Council in March, this would result in the Section 151 Officer issuing a Section 114 notice. The implications of which would mean intervention by the Government and the appointment of external Commissioners to manage the Council's finances. As the proposals submitted to the Committees by the Officers as part of the 5 phases will be robust and achievable, it is likely that the external Commissioners would action the implementation of these.

## **5.0 2020/21 COMMITTEE BUDGET**

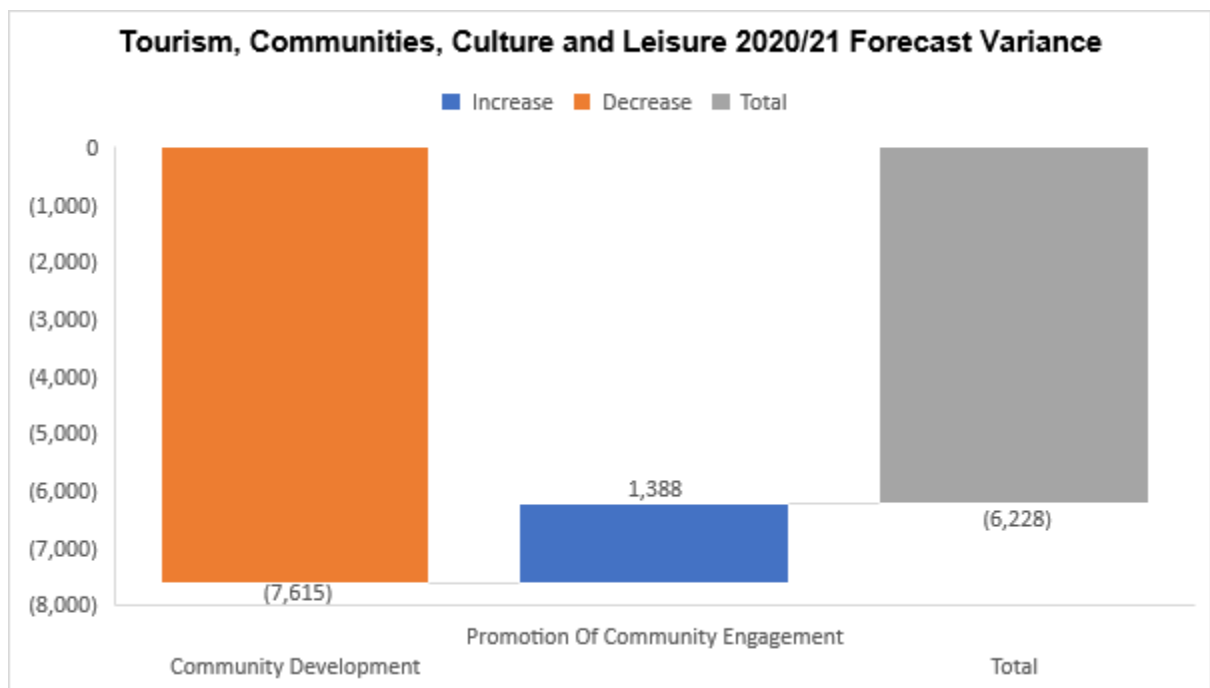
- 5.1 The tables below indicate the 2020/21 budget for each Council Directorate and for each of the Committee's. The budget for the Tourism, Communities, Culture and Leisure Committee is included within the Neighbourhoods and Regeneration and Place Directorates. Only £34.272 of total Neighbourhoods budget of £60.686m is controllable. The remainder of the budget consists of £17.182m Levies and £9.232m of Central Support Costs.



<b>Directorate</b>	<b>£m</b>
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
<b>Total 2020/21 Net Budget</b>	<b>304.697</b>

	Full Year			Adv/Fav
	Budget	Forecast	Variance (+ Fav, - Adv)	
<b>Tourism, Communities &amp; Culture &amp; Leisure</b>	£000	£000	£000	
Community Development	16,547	24,163	(7,615)	Adverse
Promotion of Community Engagement	1,388	0	1,388	Favourable
<b>Total Surplus / (Deficit)</b>	<b>17,935</b>	<b>24,163</b>	<b>(6,228)</b>	<b>Adverse</b>

- 5.2 Forecast Variance: An adverse variance (decrease) is one where the forecast position is worse than the planned position by more than £0.1m, conversely, a favourable variance (increase) is where the forecast position is better than the planned position by more than £0.1m. The data is provided in the tables above.



- 5.3 Leisure, Libraries and Customer Engagement: This area covers Leisure Centres, Golf Courses, Libraries, Museums and the Floral Pavilion. All income associated with these services ceased from 23rd March. Government guidance remain under review as to determine when these services can recommence in a safe manner.
- 5.4 An adverse variance of £9.950m is projected as at Quarter 1. This is predominantly due to loss of income within Leisure Centres (£7.5m) because of their temporary closure. The forecast is based on Leisure Centres reopening in August and receiving half their usual expected income until Quarter 4. The reopening of Indoor Leisure Centres is dependent on government guidance and a phased approach of opening one centre at a time is planned, with some leisure centres remaining closed for longer than others as they are being utilised for COVID-19 activities.
- 5.5 The Floral Pavilion is projecting an adverse variance due to underachievement of income of £2.2m. This assumes that the service will not fully reopen for live shows for the remainder of the year. A small amount of income is projected relating to the catering offer. There are smaller income losses expected relating to Libraries (£0.179m) and Museums (£0.021m), with neither service projected to achieve any of their income targets this year. Capital projects which were planned to improve income generation in these areas have been delayed due to COVID-19 but there are plans to continue with them later this financial year.
- 5.6 Capital Budget: Capital Programme, Spend to June 2020 and Funding Source

2020-21 PROGRAMME	Programme		Spend	Funding					
	Cabinet Programme	June Programme	Actual Spend to Jun 20 £'000	Borrowing	Grants	Capital Receipts	Business Rates	Other	Total Funding
Environment, Climate Emergency and Transport	22,301	34,581	1,762	19,769	12,374	0	100	2,338	34,581

## 6.0 FINANCIAL IMPLICATIONS

- 6.1 There are no specific implications of this report as it relates to the process for the 2021/22 budget. The financial implications of any of the budget options will be included within relevant future reports.

## 7.0 LEGAL IMPLICATIONS

- 7.1 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.

## **8.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

8.1 There are no specific implications resulting from this report, however any implications relating to the individual budget options will be included in relevant future reports

## **9.0 RELEVANT RISKS**

9.1 There are no specific risks resulting from this report, however any risks relating to the individual budget options will be included in relevant future reports.

## **10.0 ENGAGEMENT/CONSULTATION**

10.1 Informal consultation has been carried out with Members who have been kept apprised of the Council's budget situation.

## **11.0 EQUALITY IMPLICATIONS**

11.1 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.

11.2 Any equality implications from the individual budget proposals will be included within Equality Impact Assessments which will be presented to Policy & Resources Committee February 2021.

## **12.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

12.1 There are no specific environment or climate implications resulting from this report, however any implications relating to the individual budget options with regards to the environment or the climate, will be included in relevant future reports

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## **BACKGROUND PAPERS**

2020/21 Budget Report  
2020/21 Quarter 1 Budget Monitoring Report

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Full Council Cabinet</b>	<b>2 March 2020 27 July 2020</b>