

POLICY AND RESOURCES COMMITTEE

Wednesday, 9 June 2021

REPORT TITLE:	2021/22 BUDGET MONITORING AND 22/23 BUDGET PROCESS
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

On 17 March 2021, the Committee approved the process for monitoring the 2021/22 budget and for commencing the budget setting process for 2022/23. This report highlights these processes and includes further supporting information to ensure they can be followed.

The Committee is aware that the Ministry for Housing, Local Government and Communities have provided a conditional offer of exceptional financial support (capitalisation directive) for 2021/22 of up to £10.7m. One of the conditions of that offer is that the Council will need to provide evidence from the assurance review of the authority's financial position and its ability to meet any or all of the identified budget gap without any additional borrowing.

Therefore, it is vitally important that the Council has robust processes in place to manage and monitor the in-year financial position, to ensure it is reporting a forecast balanced position to the end of the year and that the process for 22/23 budget setting is underway early so that a budget can be agreed by Full Council in March.

2021/22 Budget Monitoring

The report updates on the position for the 2021/22 budget and the role of the Committees in monitoring the budget during the year. This enables Committees to take ownership of their specific budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets. Supporting information is provided to the Committee in order for this to happen as part of the appendices. The Committee is accountable for ensuring that the committee budget remains within the relevant envelope and will take collective responsibility via the Policy and Resources Committee to ensure that the whole Council budget remains in balance at all times, by agreeing mitigating actions to bring the budget back in line, should a deficit be forecast.

To enable committees to manage and monitor budgets effectively in year, a suite of detailed information will be provided on a quarterly basis:

- Full revenue budget monitoring report for the preceding quarter
- Full list of budget savings proposals and the progress for their achievement
- Full list of reserves allocated to the Committee for future one-off commitments
- Full capital budget monitoring report for the preceding quarter

- Other specific information relevant to the individual committee

In addition, committees who have requested it, will be provided with an exception report on a monthly basis, outside of the quarterly monitoring process. This will be a summary report that will highlight any known significant changes from the previous quarterly forecast that require the committee's attention.

2022/23 Budget Process

Members will note that one of the key documents required to enable the Council to receive approval for exceptional financial support was a balanced five-year medium term financial plan (MTFP). A summary of this was provided in the budget report to the Committee on 17 March 2021. This document was prepared by Officers and now requires committee oversight and approval. The Committees will consider whether the proposals included in the MTFP for the 2022/23 budget, and beyond, are to be taken forward or whether they are to be replaced by alternative proposals that the committee recommend.

Officers have prepared a suite of documents included within the appendices to support the Committee in its role of contributing to the budget setting process.

Each committee, supported by the Officers, is accountable for identifying, developing and agreeing savings proposals during the summer to ensure a draft balanced budget can be considered by the Policy and Resources Committee in October 2021, to enable budget consultation to start in a timely manner in November 2021.

To enable the Officer budget proposals to be scrutinised by the Committee, it is recommended that a budget working group be established to consider the content of the MTFP and make recommendations into the committee on the viability of the proposals, the robustness of the pressures/growth items and to recommend any additional proposals that the Committee require officers to prepare.

This matter affects all Wards within the Borough and is not a key decision.

RECOMMENDATIONS

1. The Committee note the content of the report and the current forecast position of savings for 2021/22 and the ongoing work being undertaken to mitigate any under-achievement to mitigate the National Employers pay award offer in paragraph 3.14.
2. The Committee note that it may be possible to reduce the value of exceptional financial support in 2021/22 as a result of utilising some of the Contain Outbreak Management Funding for expenditure currently committed against the Tranche funding, but that this will be monitored during the year and an update provided to the Committee at the quarterly reporting.
3. The Committee convene a series of budget workshops to identify any alternative savings/income/reductions in pressures to ensure that the agreed budget savings for 2021/22 can be made as highlighted in paragraph 3.10.
4. The Committee agree for Officers to work on the current proposals within this report at paragraph 3.25 for 2022/23 budget and task Officers with developing them into full

business cases, where appropriate, for inclusion in the 2022/23 budget proposals to Policy and Resources Committee at its October meeting for approval.

5. The Committee convene a series of budget workshops to identify any alternative savings/income/reductions in pressures for 2022/23 to ensure that a full suite of costed and deliverable proposals can be recommended to the Policy and Resources Committee at its October meeting for approval.
6. The Committee commence the Zero Based Budgeting project within the budget workshops, as highlighted in paragraph 3.19 to contribute to the overall savings target of £170k in 2021/22.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The 2021/22 Budget was agreed at Full Council on 1 March 2021. This budget was made up of savings proposals, pressures/growth items and funding that were based on either actual known figures or best estimates available at the time. At any point during the year, these estimated figures could change and need to be monitored closely to ensure, if adverse, mitigating actions can be taken immediately to ensure a balanced forecast budget can be reported to the end of the year.
- 1.2 The 2022/23 budget is required to be agreed by full Council no later than 11 March each year. Members should be engaged as early as possible in this process to have time to consider and recommend proposals to be able to present a balanced budget to full Council and to allow sufficient time for a meaningful public consultation exercise.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Committee could choose to not engage in the budget monitoring process for 2021/22 which could result in an overspend position for 2021/22 being reported.
- 2.2 The Committee could choose to not engage in the budget setting process for 2022/23 which could result in the inability to recommend a balanced budget to full Council in March 2022.
- 2.3 Both of these options would result in an unbalanced budget which is unlawful. Under these circumstances, the Section 151 Officer would be required to issue a section 114 notice and report this to all Members of Full Council. The outcome of which would result in intervention by Government.
- 2.4 The Committee can decide to establish their own process for monitoring the 2021/22 in-year budget and setting the 2022/23 budget. This would need to be agreed at the 29 June Policy and Resources Committee which reduces the time available to implement mitigating actions, where an adverse 2021/22 forecast maybe found.
- 2.5 This also reduces the time available for the identification and agreement of proposals to be included in the 2022/23 budget. Either of these delays could put the ability to present a balanced 21/22 and 22/23 budget at risk and increase the risk.

3.0 BACKGROUND INFORMATION

- 3.1 At its Committee in March, the Policy and Resources Committee agreed the process for managing and monitoring the 2021/22 budget. This process is as follows:

2021/22 Budget Monitoring

3.2 Committees will be accountable for ensuring that the budget remains within the relevant envelope for each committee and will take collective responsibility via the Policy and Resources Committee to ensure that the whole Council budget remains in balance at all times or provides mitigating actions to bring the budget back in line, should a year-end deficit be forecast. This is more prevalent this year due to the conditions attached to the Exceptional Financial Support (Appendix 4)

3.3 To enable committees to manage and monitor budgets effectively in-year, a suite of detailed information will be provided on a quarterly basis in line with the normal budget reporting timetable.

- Full revenue budget monitoring report for the preceding quarter (available following the end of Quarter 1)
- Full list of budget savings proposals and the progress for their achievement (Appendix 1)
- Full list of reserves allocated to the Committee for future one-off commitments (Appendix 2)
- Full capital budget monitoring report for the preceding quarter (available following the end of Quarter 1)
- Other specific information relevant to the individual committee

In addition, a summary budget book will be included for the first budget workshop.

3.4 Committees had previously requested a budget book that detailed the individual budgets for each committee. The full budget books are extremely detailed and could contain hundreds of separate lines and would be more conducive to a workshop where these can be scrutinised and discussed in detail. It is recommended that a budget working group is established by the Committee, convened immediately, that would meet throughout the summer to:

- Oversee the monitoring of the 2021/22 in-year budget
- Review the detailed budgets for the committee
- Undertake the Zero Based Budgeting exercise (paragraph 3.15)
- Identify proposals/scrutinise pressures to be included for the 2022/23 budget (paragraph 3.23)

3.5 Committees have the autonomy to transfer budgets (virements) from one function to another, where appropriate and within the realm of policy objectives, within their overall committee budget envelope. Recommendations for budget virements will be subject to advice of statutory officers which would include Legal, Finance and other Statutory Directors where appropriate.

3.6 Each committee will be responsible for remaining within its overall budget envelope and not overspending. Where an adverse variance is forecast, each committee will be required to take remedial action to bring the budget back in line and ensure that overspends are mitigated.

- 3.7 Where a committee has taken all possible steps for remedial action and is unable to mitigate an overspend, this must be reported to the P&R Committee who will take an organisational view of how this adverse variance will be managed. There must be immediate action agreed to ensure a forecast balanced budget can be reported, and this will be monitored by the P&R Committee. In the case of variances within the P&R Committee, the Committee will be required to determine how this will be managed.
- 3.8 Whilst each committee is required to remain within its annual budget envelope, there may be reasons for committees to report a favourable variance in-year. Committees wishing to use any forecast underspend must have approval from the P&R Committee to do this. The council cannot be in a situation where one committee is forecasting an overspend that it is unable to mitigate, and another committee is forecasting an underspend and utilises this for its own purposes.
- 3.9 The P&R Committee has overall responsibility for taking any necessary steps required to ensure that the Council can report a balanced budget throughout the year.

2021/22 Interim Budget Forecast

- 3.10 Appendix 1 provides the list of savings that were agreed by Full Council on 1 March relevant to this Committee. Of the total saving agreed £0.53m is currently at risk of non-achievement. This comprises 3 areas:
- Review of Traded Services
 - PFI support from Department for Environment (DfE)
 - Buildings remaining closed temporarily due to Covid-19
- 3.11 The review of traded services is ongoing with a working group established in March to review all the Council traded services. This is a two-year saving. Following the 2021/22 buyback exercise for Council services, the Schools IT service saw a large drop in buyback and as a result will be forecasting an underachievement of income if the service is unable to find mitigating savings. The working group are progressing with the review and the first phase of the project will be reported as part of Quarter 1 monitoring.
- 3.12 It was originally anticipated to ask the DfE for additional support for the PFI payments for Kingsway school. However, following a letter from DfE regarding previous support, it is unlikely to be forthcoming with further support. A review is being undertaken of the building with potential options being considered which may result in the mitigation of the non-achievement of this saving.
- 3.13 As a result of the temporary closure of some Council buildings due to the pandemic, savings were forecast on those buildings with an option to be disposed of, ready for the move to Birkenhead Commercial District (BCD). It was anticipated that some of those buildings could remain closed until the move took place, thereby releasing temporary savings. However, one building is now required for the Home Education Service (Pensby Park) and due to capacity issues, work on some buildings that were planned to be disposed of early, have been delayed. It may be possible for other

buildings, not part of the BCD option that have been closed temporarily in the first part of 2021/22, to provide offsetting savings.

- 3.14 Notification has recently been received from North West Employers that the National Association of Employers had made an offer to the Trade Unions for a 1.5% pay rise for public sector pay in 2021/22. This is contradiction to the announcement made as part of the Chancellor's autumn statement that there would be a pause to increases in public sector pay in 2021/22 with the exception of employees paid £24k and under, who would receive a one-off £250 increase.
- 3.15 The Council had made provision in the 2021/22 budget of £0.36m for employees paid £24k and under. If the Employers pay offer is accepted at 1.5% for 2021/22, this would result in an additional £1.34m pressure. This would be the minimum value of pressure if any increase on 1.5% was agreed. This is currently unfunded and will need actions to be taken in year to mitigate it to ensure a balanced budget can be reported at the end of the year.
- 3.16 During the past few months, further clarity has been received on the amount of funding allocated to the Council for the Contain Outbreak Management Fund (COMF). During the period July 2020 to March 2022 the Council has so far been allocated £14.8m, of which £7.4m is currently uncommitted.
- 3.17 Within Covid-19 Tranche funding is a commitment for expenditure relating to Covid-19 recovery that the Council originally assumed would be funded from the Tranche funding, in the absence of any other funds. This expenditure is eligible under the COMF criteria and should be funded from COMF. Therefore, it is recommended to transfer the commitments from the Tranche funding to COMF, thereby potentially releasing the commitment from the Tranche funding.
- 3.18 The impact of this would be to reduce the value of the Exceptional Financial Support (EFS) for 2021/22. Members will remember that EFS is only allowable for Covid-19 expenditure pressures, therefore reducing Covid-19 pressures from the Tranche funding will reduce the EFS. At this stage, this is a proposal, as the longer-term impact of Covid-19 is unknown and in the event of other expenditure materialising throughout the year there may not be the scope in the COMF to transfer this expenditure and reduce the value of EFS. The value of the eligible commitments will initially need to be reviewed and this will be monitored as part of the normal budget monitoring process and reported to the Committee on a quarterly basis.

Zero Based Budgeting

- 3.19 As part of the 2021/22 budget, a savings proposal of £170k to carry out a zero based budgeting exercise was agreed. Zero basing is a method of budgeting in which all expenditure must be justified before it is agreed. The process starts from a 'zero base' i.e. a zero budget and every function within the area is analysed for its needs and costs. Budgets are then built around what is needed for the following period, regardless of whether each budget is higher or lower than the previous one.
- 3.20 The process can be time-consuming and is usually undertaken in advance of the following year's budget setting. The proposal for £170k saving recognises that this is

a part-year saving and should provide an indication of further savings that could be achieved in 2022/23.

- 3.21 In order for this saving to be achieved in-year, it is recommended that Members of the budget workshops, supported by Officers, start the zero basing in July. Officers will shortly be undertaking a 'spring-clean' of budgets to ensure that the current activity is correctly reflected in the budgets in order for the zero-basing to be undertaken effectively.

2022/23 Budget Setting

- 3.22 The process for setting the 2022/23 budget will commence immediately. Officers, to satisfy the requirement of MHCLG for exceptional financial support, have compiled a five-year medium term financial plan (MTFP). Committees will consider whether the proposals included in the MTFP for the 2022/23 budget, and beyond, are to be taken forward or whether they are to be replaced by alternative proposals that the committees recommend.
- 3.23 The budget gap for the Council for 2022/23 currently stands at £19.5m. At the Policy and Resources Committee on 17 March, a full list of officer proposals were included in the budget report that balanced this gap. Since then, as officers have been reviewing these proposals, some of these values are currently at risk and there now remains a forecast unmitigated budget gap, of around £5m. As part of good financial management and sustainability, it is prudent for a suite of budget options to be considered for the forthcoming annual budget that exceed the budget gap, not for specific individual proposals to be included that exactly match the gap, as this effectively provides no scope for any consultation feedback to be taken into account.
- 3.24 In readiness for the first committees of the new municipal year, Officers have prepared a suite of documents for the committees. These are:
- List of future years savings and pressures included within the MTFP (Appendix 3)
 - Summary business cases for each of the savings proposals in the MTFP for 2022/23 and whether any specific consultation is required for each one (to be included at the budget workshops)
 - Summary business cases for each of the perceived pressures/growth items in the MTFP with supporting evidence as to how they have been estimated (to be included as part of the budget workshops)
 - Oversight of all savings proposals and growth/pressures over the medium term for Members to ensure no duplication or contradiction across Committees (to be included as part of the budget workshops)
- 3.25 Included within the MTFP for 2022/23 are a suite of proposals for the Committees' consideration as part of next year's budget process. These are included within Appendix 3 and the majority of them span multi-years. If the Committee recommends for Officers to work these proposals up into Business cases, these will be shared with the Committee at the budget workshops.
- 3.26 Each committee, via the budget working groups, will be accountable for identifying, developing and agreeing savings proposals during the summer to meet the 2022/23 budget gap and ensure a draft balanced budget can be considered by the P&R

Committee in October 2021, to enable budget consultation to start in a timely manner in November 2021. These can be the Officer proposals included within Appendix 3 or new proposals identified by the Committee, or a mix of both.

- 3.27 It is recommended that the budget workshops not only identify additional savings proposals to meet the gap but to scrutinise and challenge the pressures and growth items included in the MTFP for 2022/23 to see if these can be reduced.

Exceptional Financial Support

- 3.28 Members will be aware that in March, MHCLG provided a conditional offer of Exceptional Financial Support (EFS) to the Council of up to £10.7m to support the indirect pressures forecast as an ongoing impact of Covid-19 in the 2022/23 budget. One of the conditions of that offer was that an external assurance review would be commissioned by MHCLG.
- 3.29 In preparedness for this review, the Council has been working with the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out an interim assessment of MTFP and a high-level review of the cost of the services the Council provides. Further information regarding EFS can be found at Appendix 4.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This report describes the process for 2021/22 budget monitoring and 2022/23 budget setting. Included within it are the current financial forecasts for both years. Therefore, all the financial implications are included within the body of the report.

5.0 LEGAL IMPLICATIONS

- 5.1 The role of the Policy and Resources Committee, in consultation with the respective Policy and Service Committees, has been charged by Council to formulate a draft Medium Term Financial Plan (MTFP) and budget to recommend to the Council.
- 5.2 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.
- 5.3 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11th March in the financial year preceding the one in respect of which the budget is set.
- 5.4 The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

- 5.5 Consultation must take place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. The detailed summary of responses provided are attached in the appendix to this report. It must be borne in mind that this is consultation on the budget proposals, not on the decision to take whatever decision is implied by the adoption of that budget. The consultation process, including the Council's consideration of the responses, is required to comply with the following overarching obligations (unless detailed statutory rules supplant these):
- (a) Consultation must be at a time when proposals are at a formative stage.
 - (b) The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly.
 - (c) Consulters must give sufficient time for responses to be made and considered.
 - (d) Responses must be conscientiously taken into account in finalising the decision. This is the same whether or not a public body was required to consult or chooses to do so. This is because all of those rules are aspects of an overriding requirement for 'fairness'. The process must be substantively fair and have the appearance of fairness. The setting of the budget and council tax by Members involves their consideration of choices.
- 5.6 When considering options, Members must bear in mind their fiduciary duty to the council taxpayers of Wirral. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.
- 5.7 Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.
- 5.8 The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 5.9 There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision.
- 5.10 The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it
- 5.11 Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to the Policy and Services Committees when considering decisions.

- 5.12 Once a budget is in place, Council has delegated responsibility to the Policy and Services Committees to implement it. The Committees may not act contrary to the Budget without consent of Council other than in accordance with the Procedure Rules set out at Part 4(3) of the Constitution.
- 5.13 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.
- 5.14 Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 At this time, there are no additional resource implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there will be resource implications, and these will be addressed within the relevant business cases presented to the Committee.

7.0 RELEVANT RISKS

- 7.1 The Council's ability to maintain a balanced budget for 2021/22 is dependent on a static financial position. This is an impossible scenario due to estimated figures being provided in the calculation for the 2021/22 budget, albeit the best estimates that were available at the time, plus any amount of internal and external factors that could impact on the budget position in year. Examples of which are new legislation, increased demand, loss of income, increased funding, decreased funding, inability to recruit to posts, ongoing impact of the pandemic etc.
- 7.2 A robust monitoring and management process for the 2021/22 budget must be agreed and in place as soon as possible. If at any time during the year an adverse position is forecast, remedial action must be agreed and implemented immediately to ensure the budget can be brought back to balanced position.
- 7.3 The risk of this not being able to be achieved could mean that the Council does not have enough funding to offset its expenditure commitments for the year and therefore not be able report a balanced budget at the end of the year. This could result in the Section 151 Officer issuing a Section 114 notice.
- 7.4 The budget agreed by full Council on 1 March 2021 for 2021/22 was underpinned by an offer of a maximum of £10.7m exceptional financial support provided by MHCLG. This offer was conditional and is described in paragraph 3.21. If the Council does not accept recommendations made from the external assurance review, this may put the offer of the exceptional financial support at risk. If the Council is not able to report a

balanced budget without some or all of the exceptional financial support, this may also result in the Section 151 Officer issuing a Section 114 notice in year.

- 7.5 A key risk to the Council's financial plans is that funding and demand assumptions in particular can change as more information becomes available. As such, the MTFP is regularly reviewed and updated as part of routine financial management.
- 7.6 Under the system of retained Business Rates, Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the Authority. These risks are mitigated through a combination of the operation of the Collection Fund, General Fund Balances and a Business Rates Equalisation Reserve.
- 7.7 The MTFP currently presents a balanced budget over a five-year period. If the committees are not minded to accept the proposals included by Officers in the MTFP, especially for the 2022/23 budget, alternative proposals need to be identified and agreed as soon as possible. A delay in agreeing these may put the timetable for setting the 2022/23 at risk and may result in a balanced budget not being identified in time for the deadline of 11 March 2022.
- 7.8 The five-year MTFP is based on current estimated information available. A four-year comprehensive spending review (CSR) is anticipated from Government from 2022/23. Assumptions have been made in the current MTFP for income and funding from business rates and council tax and social care grants as the main sources of funding. If there is an adverse change to these assumptions as a result of the CSR, additional savings proposals or reduced expenditure would need to be identified as soon as possible to ensure a balanced five-year MTFP can be achieved. Committees will be kept updated with any announcements regarding the CSR through the year.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Consultation has been carried out with the Senior Leadership Team (SLT) in arriving at the governance process for the 2021/22 budget monitoring process and the 2022/23 budget setting process. SLT have compiled the MTFP.
- 8.2 Since the budget was agreed at Full Council on 1 March, some proposals may have been the subject of further consultation with Members, Customer and Residents. The details of these are included within the individual business cases or are the subject of separate reports to the Committee.

9.0 EQUALITY IMPLICATIONS

- 9.1 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.
- 9.2 At this time, there are no further equality implications as these have already been identified for the proposals agreed and submitted. However, where the budget is

unbalanced and further proposals are required, then there may be equality implications associated with these, and these will be addressed within the relevant business cases presented to the Committee.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 At this time, there are no additional environmental and climate implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there may be environment and climate implications associated with these that will be addressed within the relevant business cases presented to the Committee.

REPORT AUTHOR: Shaer Halewood
(Shaer Halewood, Director of Resources (S151 Officer))
telephone: Tel: 0151 691 8688
email: shaerhalewood@wirral.gov.uk

APPENDICES

Appendix 1 Achievement of 2021/22 approved savings
Appendix 2 Committee Reserves
Appendix 3 Future years savings proposals and Growth/Pressures
Appendix 4 Exceptional Financial Support

BACKGROUND PAPERS

MHCLG Exceptional Financial Support Offer Letter

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	17 March 2021
Full Council	1 March 2021
Policy and Resources Committee	7 October 2020

APPENDIX 1

Progress on the achievement of approved 2021/22 Budget Savings

Saving Title	Agreed Value	Forecast Value	RAG Rating	Comments
Business Change budget reduction	£0.67m	£0.67m	Green	On target to be achieved
Review of Traded Services	£0.27m	£0.27m	Amber	A reduction in the buyback of Schools IT Service may put this saving in jeopardy. The working group is currently reviewing options
Alternative funding for PFI	£0.25m	£0.00m	Red	It is anticipated that DfE will not be forthcoming with any additional support for the PFI costs for Kingsway school, however a review of the use of the building has commenced.
Bad debt write-off provision	£1.00m	£1.00m	Green	On target to be achieved
New staffing structure in IT and Digital	£0.62m	£0.62m	Green	The saving will be achieved but not fully by the original means. The Digital Strategy requires posts to be kept in the service for the next 12 months so the saving will be achieved by charging some staff to the capital programme and other projects.
Business Support Unit staffing reduction	£0.24m	£0.24m	Green	The saving will be achieved but not necessarily with a full reduction of staff but with a reduction of posts, some of which are vacant.
Wide area network savings	£0.24m	£0.24m	Green	On target to be achieved
Restructure of Revenues and Benefits	£0.15m	£0.15m	Green	On target to be achieved
Centralised Printing	£0.16m	£0.16m	Green	On target to be achieved
Suspension of a proportion of individual Ward Member Budgets	£0.18m	£0.18m	Green	On target to be achieved
Workforce remodelling	£0.39m	£0.39m	Green	On target to be achieved
Continuation of Agile Working	£0.50m	£0.50m	Green	On target to be achieved
Apprenticeships First	£0.15m	£0.15m	Green	On target to be achieved

Strategy				
One Stop Shop Service	£0.10m	£0.10m	Green	On target to be achieved
Continue temporary building closure due to Covid-19	£0.75m	£0.47m	Amber	Due to capacity and the requirement for one building to reopen for the Home Education Service, it maybe that the saving will not be made. However there could be potential for savings to be made in other building that are partially open, not included in the original list to make saving.
Zero Based Budgeting (ZBB)	£0.17m	£0.17m	Green	The ZBB review has yet to commence and is recommended to start in June/July with committee workshops and it is anticipated that the full saving can be made
Contracts and Commissioning	£0.35m	£0.35m	Green	On target to be achieved
Local Welfare Assistance temporary saving	£0.20m	£0.20m	Green	On target to be achieved
Use of Brexit reserve	£0.10m	£0.10m	Green	On target to be achieved
TOTAL	£6.49M	£5.96M		

APPENDIX 2

Reserves relating to the Policy and Resources Committee	£
Commercial Management	225,256
Discretionary Housing Payments	185,185
HR/OD Talent Management	49,801
HR Reserve for Schools	41,279
Transformation Challenge Award	3,667
Asset Consolidation Staff Relocation Contingency	110,450
ICT Records Management	288,400
Licencing Reserve	60,000
Taxi, Marriage and Scrap Metal Licences	102,748
Wirral South Constituency Committee 2020/21 carry forward	2,681
Birkenhead Constituency Committee 2020/21 carry forward	7,207
Wallasey Constituency Committee 2020/21 carry forward	2,913
West Wirral Constituency Committee 2020/21 carry forward	2,388
Business Rates Equalisation (100% rates retention pilot)	4,664,229
Enterprise Zone Investment	481,615
Enterprise Zone Contingency Fund	29,397
Financial Resilience Reserve	2,692,646
Financial Instrument Equalisation Reserve	2,126,270
Year 2 EVR/VS termination payment commitments	1,000,000
DDA – Disabled Access	82,558
Europa Centre dilapidations	83,333
Emergency maintenance work and Work in Default	71,180
ACSR – Asset Management	45,200
Total Policy and Resources Committee Reserves	12,358,403

APPENDIX 3

Future years budget saving proposals and Pressures/Growth Items

Savings Proposals	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Business Change Service Reduction				0.30
Year 2 – Review of Traded Services	0.15			
Reductions in bed debt provision	0.75	0.20		
Year 2 – Review of Revenues and Benefits	0.60			
Commercial Income	0.23	0.23	0.40	0.80
Treasury Investment Income	1.00			
Network Integration	0.16			
Coroners Efficiencies	0.05			
Organisational Transport Review	1.00			
Capitalisation of Legal Salaries	0.20			
Workforce Remodelling	1.25	1.25	1.25	1.25
Apprenticeships First Strategy	0.12	0.10		
One Stop Shop Efficiencies	0.10	0.21		
Buildings efficiencies	0.16	0.50		
Centralisation of functions	0.30	0.50	0.28	0.18
SmartBusiness	0.40	0.80	1.20	
Contracts and Commissioning	2.00	2.50	2.50	2.65
Lean Processes	0.60	0.45		
Total	9.07	6.74	5.63	5.18
Pressures/Growth Items				
Pay and Pensions increases	2.93	3.01	3.09	3.18
McCloud Pensions increase		1.10		
Market Risk		1.00		
PSSIF non-statutory override	1.00			
Capital Financing	1.64	0.09	0.75	
Total	5.57	5.20	3.84	3.18
Net Savings	3.50	1.54	1.79	2.00

Exceptional Financial Support

In March, the Ministry for Housing, Communities and Local Government (MHCLG) made an offer of £10.7m to the Council for exceptional financial support, sometimes called a capitalisation direction of capitalisation directive. This means that MHCLG approved the Council, in principle, to borrow £10.7m of funds to help ensure a balanced budget could be agreed by Full Council on 1 March. Borrowing to fund revenue (day to day) expenditure is not normally allowed under law, but on this occasion, a special case was put to HM Treasury and approved.

The Council had not been able to identify sufficient savings to balance the budget in 2021/22 due to additional financial pressures present as a result the outcome of Covid-19. Such pressures include Adults and Childrens Social Care increases, SEN transport increases and Homelessness increases. Ordinarily, a Council would use its reserves and balances to help balance its budget in times of crisis and would not have to apply for exceptional financial support, however the Council does not have the level of reserves and balances to be able to do this.

The borrowing has to be paid back over a 20 year timeframe and costs the Council an additional 1% in interest over and above what it would it normally expect to pay, so it is prudent for the Council to identify any further proposals to reduce the level of exceptional financial support that it requires, so that the interest payments can also reduce.

The offer of exceptional finance support from MHCLG came with conditions which included an external assurance review that would review the authority's financial position and its ability to meet any or all of the identified budget gap without any additional borrowing. Therefore, as part of the external assurance review, MHCLG will be looking for areas that the Council can reduce it's expenditure so that it may not have to provide all or any of the exceptional financial support offered.

This means that a further £10.7m proposals could be recommended to be implemented in year. If the Council fails to comply with MHCLG recommendations, the exceptional financial support offer may be withdrawn and a balanced budget could not be forecast to the end of the year.

In this circumstance, the Section 151 Officer would have to issue a Section 114 notice which states that the Councils' expenditure exceeds its funding and this would be reported to Full Council. The outcome of this would result in Government intervention and Commissioners appointed to manage the financial affairs of the Council. During the period of issuing a Section 114 notice, only statutory and contracted expenditure is allowed to take place, all other expenditure must stop.