

POLICY AND RESOURCES COMMITTEE

Wednesday, 1 December 2021

REPORT TITLE:	DRAFT MEDIUM-TERM FINANCIAL STRATEGY 2022-2027
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

The Council's Medium-Term Financial Strategy (MTFS) sets out the financial implications of the Council's Corporate Plan and how this can be funded over the period of five years. Each year, the Council is required by law to approve a balanced budget, where gross expenditure is matched by available resources. The MTFS sets out the guiding principles and considerations to deliver a balanced budget.

This report provides the Committee with the proposed MTFS 2022/23 to 2026/27, which provides a robust, consistent, and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the Council's services are to be delivered.

The MTFS is one of the key strategies of the Council and the five-year strategy sets out the Council's commitment to providing services that meet the needs of people locally and that represent good value for money.

The MTFS identifies a structural deficit for the five-year period covered. Upon the budget balancing for 2022/23 this structural deficit is removed based on latest estimates.

Contained within the MTFS are indicative figures for financial years 2022/23 to 2026/27; these figures will change in line with a number of factors, including confirmation of the government's forthcoming funding settlement for 2022/23 (which is expected in December), which in turn will inform the budget proposals made by Policy and Resources Committee for consideration by full Council in February 2022.

This matter affects all Wards within the Borough. The report requires a key decision.

RECOMMENDATIONS

The Policy and Resources Committee is recommended to approve the MTFS for 2022/23 to 2026/27.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The Council has a legal responsibility to set an annual balanced budget, which sets out how financial resources are to be allocated and utilised. In order to successfully do so, engagement with members, staff and residents is undertaken. The recommendations in this report and attached appendices inform that approach and act as a pre-cursor to budget proposals scheduled to be made to Full Council on 28 February 2022.
- 1.2 Policy and Resources Committee has the responsibility to deliver budget proposals for Full Council's consideration and the MTFS informs those proposals in line with the Wirral Plan and other key Council strategies.
- 1.3 This report presents an updated draft Medium-Term Financial Strategy for 2022/23 to 2026/27 and the budget assumptions underlying that Strategy for the Committee to approve.
- 1.4 The Medium-Term Financial Strategy informs the annual budget process – the figures incorporated in the document are indicative, subject to confirmation of annual funding following the announcement of the Government's financial settlement and budgetary changes to be made through the Council's formal budget setting process each year. The 2022/23 budget proposals will be presented to the Full Council in February 2022.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Approval of the MTFS could be delayed until the government settlement in December, however this would reduce the time available to enact the strategic principles and make budget plans accordingly, which will require engagement with stakeholders. This is not considered to be a viable option considering the financial challenges that the Council is currently facing.
- 2.2 Not producing a MTFS, whilst an option that is available, would not provide the Committee with assurance that the financial assumptions, funding, principles, etc. relate to the strategies of the Council or give confidence that the Council's annual budget setting process directly relates to the longer-term strategies establishing financial sustainability and decision making.

3.0 BACKGROUND INFORMATION

- 3.1 Planning for the 2022/23 to 2026/27 Medium-Term Financial Strategy has been ongoing since the start of the financial year 2021/22. Proposals for savings and pressures on the budget for 2022/23 are being developed, in preparation for consideration by Policy & Resources Committee later in the year.
- 3.2 The key principles and objectives to deliver financial sustainability, and how the Council will deliver services over the medium-term, are set out in the MTFS appended to this report.

- 3.3 The MTFs, as recommended in the Financial Management Code, enables those charged with governance and decision making to have confidence in the Council's financial strategy and importantly to assist in making decisions to ensure financial sustainability is delivered. The MTFs shows that financial and operational plans are aligned at all levels. Without this alignment it is impossible to place reliance on future forecasts within the context of agreed policies and their future implications on demand, resources and deliverability.
- 3.4 At Policy and Resources on 25 October 2021 a paper on the Pre-Budget Setting Report 2022-23, was brought to the Committee and the MTFs principles were agreed. This paper consolidates those principles, assumptions and objectives that have been approved by the Committee.
- 3.5 The consultation process undertaken during November 2021 made note of savings requirements to deliver a balanced budget position in 2022/23; the MTFs addresses the financial position that the Council faces in a robust and transparent manner in order to assist members in making informed decisions and provide a framework to operate within.
- 3.6 The priorities listed in the Wirral Plan 2026 form a key component of the MTFs. The MTFs will support Policy and Resources Committee in determining the viability of budget proposals as they are being developed.
- 3.7 The forthcoming details of the Government's financial settlement and its impact on Wirral (which is expected in December) will provide clarity on the level of change required to achieve financial stability in the short-term.
- 3.8 The reports from the Department for Levelling Up, Housing and Communities (DLUHC) that were received 2 November 2021 made a number of public recommendations. The leader of the Council had one month to respond to these recommendations; a range of activity has previously been undertaken which goes some way to addressing some of these recommendations; the approach adopted with the MTFs forms a component of this activity. The responses to these recommendations were addressed in a report to Policy & Resources Committee on 30 November 2021.
- 3.9 A report elsewhere on the meeting agenda sets out how the Change Programme will be structured to maximise opportunities for greater service integration and effectiveness. This includes the proposed workstreams and how they will align with the Council Plan themes and the MTFP savings forecasts.
- 3.10 The Change Programme is a key element to the delivery of the longer-term financial strategy of the Council as set out in the MTFs and this programme provides a coherent framework for transforming operations and has been a key element in the Council's case to DLUHC for exceptional financial support in the short term to deliver long term financial sustainability. The Change Programme provides confidence in the Council's understanding of the scope of change required and our ability to deliver this to a defined timetable.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The draft Medium-Term Financial Strategy highlights an estimated deficit of £25m for 2022/23 at the time of this report being produced. This estimate is based on several assumptions which are subject to change. As more certainty is made available in respect of funding and following the ongoing work to develop robust savings and pressures proposals, these figures will be updated.
- 4.2 Assumptions incorporated in the MTFs are set out within the document and these are subject to change following the final settlement from central government in December 2021 and more up to date information from the budget setting process.
- 4.3 Delivering financial sustainability is vitally important for the Council, with the capitalisation directive aspects of recent years reinforcing the need to develop a revised approach to operations, in order that any future crisis situation can be managed within available resources. This is reflective of comments made by Grant Thornton, the Council's external auditor, who noted as part of their value for money review during the audit of the 2019/20 accounts, "We note that the capitalisation directive will only provide support to the Council for 2020/21 and 2021/22. As such, the Council needs to ensure that it delivers against its revised MTFs. It will need to put in place clear plans to reduce its future recurring service expenditure and move to a balanced revenue position that does not rely on reserves".
- 4.4 The MTFs incorporate the requirement of increasing general fund balances, which is considered a key aspect of delivering financial sustainability in a manner that is commensurate with the Council's aims of protecting the residents of the borough through their ability to access valuable services. To facilitate this requires that limited financial resources are targeted effectively to provide the most beneficial outcomes and similarly ceasing and/or reducing services that do not best serve the local population.
- 4.5 The Council delivers both statutory and non-statutory services at present – the requirement to eliminate subsidies provided to non-statutory services is considered to be key; the MTFs principles state that non-statutory services are not subsidised at the detriment of statutory services, unless any evidenced return on investment is demonstrated (qualitatively or quantitatively). This can be found in section 1 of the MTFs (Key principles) and section 2 (Objectives, Principles and Assumptions); this will ensure we are delivering value for money and ensuring that finite resources are targeted on beneficial outcomes.

5.0 LEGAL IMPLICATIONS

- 5.1 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 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 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.
- 5.6 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.
- 5.7 The report sets out strategic aims 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.
- 5.8 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.
- 5.9 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.
- 5.10 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.
- 5.11 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 agreed 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.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 All resource implications are considered within the attached Medium-Term Financial Strategy document.
- 6.2 Consultation on the proposals will include staff. Any changes involving staff will be managed in consultation with staff and Trade Unions.

7.0 RELEVANT RISKS

- 7.1 This Medium-Term Financial Strategy needs to be seen in the context of significant inherent uncertainty for the Council in terms of future funding and spending assumptions.
- 7.2 The Council's current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way is identified as one of the Council's corporate risks, as is the Council's financial position going into significant deficit in any one year. Both of these risks are subject to regular review.
- 7.3 Risks relating to some of the assumptions contained within this Medium-Term Financial Strategy are addressed specifically in the appended MTFS.
- 7.4 The Wirral Plan 2026 is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the Borough.
- 7.5 The Wirral Plan themes underpin this vision, and these can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium-Term Financial Strategy which provides the framework for the determination of the Council's annual revenue budget.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Members of this Committee are being consulted regarding this process.

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. There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 This report has no direct community wealth implications however financial management and budget proposals should take account of related matters across headings such as the following:

- **Progressive Procurement and Social Value**

How we commission and procure goods and services. Encouraging contractors to deliver more benefits for the local area, such as good jobs, apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing.

- **More local & community ownership of the economy**

Supporting more cooperatives and community businesses. Enabling greater opportunities for local businesses. Building on the experience of partnership working with voluntary, community and faith groups during the pandemic to further develop this sector.

- **Decent and Fair Employment**

Paying all employees a fair and reasonable wage.

- **Making wealth work for local places**

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APPENDICES

Appendix 1 – Medium Term Financial Strategy 2022/23 to 2026/27

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BACKGROUND PAPERS

Government Budget announcement
Committee workshops

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	30 November 2021
Policy and Resources Committee	25 October 2021
Policy and Resources Committee	9 June 2021
Full Council	1 March 2021
Policy and Resources Committee	17 February 2021
Full Council	2 March 2020
Cabinet	17 February 2020
Full Council	4 March 2019
Cabinet	18 February 2019