



POLICY AND RESOURCES COMMITTEE

Tuesday, 15 February 2022

REPORT TITLE:	2022/23 BUDGET AND MEDIUM-TERM FINANCIAL PLAN
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

This report is part of the Council's formal budget process, as set out in the constitution and in accordance with the legal requirements to set a balanced and sustainable budget for 2022/23.

This report presents the following financial aspects:

- details of the annual budget for 2022/23
- the key elements contributing towards the preparation of the budget
- recommendations on the budget and council tax
- an update on the Medium-Term Financial Plan (MTFP) covering the period from 2022/23 to 2026/27, previously reported to the Committee on 1 December 2021 as a component of the Medium-Term Financial Strategy (MTFS).

The report contains several appendices, some that are required to be published as part of the statutory annual budget process and others that provide the Committee with relevant information relating to short and medium-term budget planning, inclusive of consultation aspects and financial assumptions. These assumptions will change, and changes will be reported through the governance process for budget monitoring within the Committee system.

The 2022/23 budget has been compiled using the figures in the provisional Local Government Finance Settlement for 2022/23 as the final settlement is expected to be published 9 February 2022. Any changes to the final settlement that impact on the assumptions included within the 2022/23 budget report will be noted verbally to the Committee at the meeting.

The 2022/23 budget has been developed with consideration of the recommendations made in the Department for Levelling Up, Housing and Communities (DLUHC) external assurance reports and in consultation with the Independent Panel convened to advise on the Council's financial recovery plan.

The budget proposals, which have been produced with the engagement of Policy & Resources Committee and other Service Committees, and the associated

recommendations laid out in this report are a key step in achieving the Council's commitment to produce a stable, prudent and sustainable financial basis to operate from, recognising the finite resources available and prioritising them for the best outcomes for Wirral, with the ongoing aim of delivering better services.

The report is extensive, covering complex information on a number of areas including:

- The national context and local government funding
- Government engagement, DLUHC and Exceptional Financial Support (EFS)
- Organisational change
- The approach to formulating the budget, inclusive of Directorate budget envelopes
- The budget proposals
- The MTFS and future year assumptions
- Council Tax
- Business Rates
- Schools' budgets
- Levies
- The General Fund and earmarked reserves
- Flexible Use of Capital Receipts (FUCR)
- The Section 151 officer's report on the robustness of estimates for budget calculations

This is a key decision which affects all Wards within the Borough.

RECOMMENDATIONS

It is recommended that the Committee:

- 1) Note and consider the response to the financial proposals forming a draft budget for the purposes of consultation under section 65 of the Local Government Finance Act, set out as:

Appendix 1	Report of the Section 151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves
Appendix 2	Savings, income and efficiencies proposals
Appendix 3	Five year Medium-Term Financial Plan
Appendix 4	Budget consultation
Appendix 5	Policy & Service Committee budget proposals feedback
Appendix 6	Pressures/Investments
Appendix 7	The position for the Dedicated Schools Grant
Appendix 11	Medium-Term Financial Strategy

- 2) Note the role of the Change Programme and the approach to currently active Service Reviews in delivering budget proposals

- 3) Recommend to Council a Revenue Budget, subject to the Local Government Finance Settlement to be issued by The Department for Levelling Up, Housing and Communities (DLUHC) of £330.13m
- 4) Approve the surplus funding available from a budget proposal of £330.13m to be transferred to the General Fund (£0.44m)
- 5) Accordingly recommend that Council:
 - a) Agree the summary Medium-Term Financial Plan (MTFP) set out as Appendix 3 and adopt the Medium-Term Financial Strategy (MTFS) set out as Appendix 11
 - b) Adopt the fees and charges set out as Appendix 9, with delegated authority being granted:
 - (i) to the Section 151 Officer to update the Council's Fees and Charges Directory prior to publication before 1 April 2022
 - (ii) to the relevant Director with portfolio, in consultation with the relevant Committee's Chair and Group Spokespersons, to vary existing fees and charges
 - c) Approve the Discretionary Rate Relief Policy for Business Rates for 2022/23 set out as Appendix 10
 - d) Set and maintain the level of General Fund Balances at the higher of
 - (i) £13.6m, inclusive of £0.44m surplus evident after other budget proposals (as per recommendation 4)
 - (ii) 4% of the Council's net revenue budget, based on a locally determined assessment of the financial risks that the Council may face in the future in accordance with the report of the Section 151 Officer (Appendix 1)
 - e) Authorise, in respect of the Budget Proposals, that the Director with portfolio undertake such actions as they consider necessary to implement the agreed Budget and deliver the savings, income and efficiency proposals developed as part of the formulation process and update Committees accordingly
 - f) Approve the 2022/23 Schools Budget of £316.2m
- 6) Delegate authority to the Section 151 Officer, following consultation with the Chair and Group Spokespersons of the Policy & Resources Committee, to do anything necessary to give effect to the proposals contained in this report and address any funding changes, if any, arising from the final Local Government Finance Settlement once agreed by Parliament.

7) Recommend (subject to a separate vote at Council) that Council:

- a. Sets the Band D Council Tax at £1,713.00 for the Wirral Borough Council element of the Council Tax, representing a general increase of 1.99% and 1.00% ringfenced increase to Adult Social Care, and the Council Tax requirement for the Council's own purposes for 2022/23 of £163m as detailed in Appendix 8
- b. Notes that the additional precepts from the Police & Crime Commissioner for Merseyside, the Merseyside Fire & Rescue Authority and the Liverpool City Region Combined Authority remain in estimated form and delegates authority to the Section 151 Officer to implement any variation to the overall council tax arising from the final notification of the precepts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The scale of the financial challenge that the Council faces cannot be overstated. The Council has a structural deficit and this has been recognised in a request to DLUHC for the application of a capitalisation directive. The short-term support afforded by government in the form of a capitalisation directive does not extend beyond 2021/22, emphasising the need for focus and agility in balancing the Council's financial position.
- 1.2 The Committee is aware that DLUHC have provided a conditional offer of Exceptional Financial Support (capitalisation directive) for 2021/22 of up to £10.7m. The most recent financial forecast suggests that £6.355m of this £10.7m potential facility will be required for 2021/22 and work continues to further reduce the value of the exceptional financial support required.
- 1.3 The offer for capitalisation for the current financial year was subject to an external assurance review. The review focussed on the Council's financial position and on its ability, including the strength of its governance arrangements, to deliver its plans for medium-term sustainability. This process reinforces the requirement for an in-depth review of functions to enable considered and robust proposals to be made to Council in February 2022 for the 2022/23 budget.
- 1.4 One component of the external assurance review recommendations set out the need to develop a financial recovery plan. Policy & Resources Committee approved the Council's MTFs at its meeting of 1 December 2021, which confirmed key principles the Council would follow in respect of its financial planning. The MTFs 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.
- 1.5 Policy and Resources Committee is required to recommend a Budget to the Council for its meeting on 28 February 2022. The Council has to set a budget for 2022/23 by 11 March by law. The issues detailed in this report support the recommendations to be in a position to recommend a Budget proposal.
- 1.6 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves (Appendix 1).
- 1.7 The MTFP supports the delivery of the Wirral Plan and is key to ensuring the Council is financially stable. Progress against budget is monitored by the relevant Committees and reported to Policy & Resources Committee throughout the year, as

part of routine financial management, to ensure that plans are on track and any necessary corrective action is taken at the earliest opportunity.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council has a legal obligation to set a balanced budget by 11 March for the following financial year and this report sets out proposals and initiatives that increase income or reduce expenditure to assist in decisions regarding budget setting. The Policy & Resources Committee is responsible for co-ordinating processes for the development of the Budget and Policy Framework. The budget proposals for 2022/23 have been formulated via a rigorous review process and the Finance Sub-Committee members have met on a weekly basis, as a workshop, during recent months to review proposals and assumptions, as such the proposals presented are considered to provide 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.
- 2.2 The budget proposals in this report stem from those presented to Policy & Resources Committee on 17 January 2022, however some of those items have been amended or removed following consultation and Finance Sub-Committee workshop review. Details are provided as Appendix 12.

3.0 BACKGROUND INFORMATION

Impact of the National Context

- 3.1 In October 2021, the Chancellor of the Exchequer announced information regarding the Spending Review in his Autumn Statement. The details of this have been provided in the Local Government Funding Settlement, received on 16 December 2021, in the form a one-year settlement for 2022/23.
- 3.2 The impact of the assumptions in the provisional settlement was reported to the Policy and Resources Committee on 17 January 2022. Consultation took place on the provisional settlement and closed on 13 January 2021. The final 2022/23 settlement is expected to be laid before the House of Commons for its approval 9 February 2022.

Response to Ministerial External Assurance Review

- 3.3 Wirral Council, along with a number of other local authorities, requested exceptional financial support from the government due to significant budget pressures that had arisen during the COVID-19 pandemic. DLUHC granted a capitalisation directive in 2020/21 to assist the Council in balancing its budget. DLUHC also committed to supporting the Council in the same way in 2021/22, subject to the outcome of an external assurance review into the Council's governance arrangements and finances.
- 3.4 The two reports from the external assurance review were published on 2 November 2021 and highlighted a number of areas for improvement in governance and financial management. There was specific focus on the Council's track record of avoiding difficult decisions to better align service planning with budget constraints and the use of one-off funding or reserves to bridge the budget gap, which is clearly unsustainable.

A series of recommendations from the reports provides a clear way forward for the Council to make the necessary improvements and take the required decisions to get the Council's finances back to a more stable position.

- 3.5 A report was presented to Policy & Resources Committee on 30 November 2021, which outlined the two independent reports that made up the External Assurance Review commissioned by DLUHC, along with the proposed response to the recommendations made in the reports.
- 3.6 One of the recommendations was to appoint an independent assurance panel as an advisory body with the necessary expertise to provide external scrutiny and support to the Council and assurance to DLUHC that progress is being made in achieving the required improvements. With support from the Local Government Association, the Council has now established this Panel which met for the first time in January and will continue to meet on a regular basis to ensure that the Council responds positively to the recommendations and achieves the required outcomes.
- 3.7 The delivery of the 2022/23 budget is fundamental to the Council's financial recovery planning. The budget proposals within this report have been developed through extensive engagement with Policy and Service committees, weekly workshop meetings of Finance Sub-Committee and a significant number of workshops with Members of Policy & Resources committee. Whilst this is a challenging budget requiring some difficult decisions to be made, it provides an opportunity to stabilise and re-balance the Council's finances. This will enable the Council to be in a position to better afford to invest in modernising and improving its service offer for the future.

Change Programme and Service Reviews

- 3.8 At Policy & Resources Committee 1 December 2021, it was approved that the Chief Executive progress and implement the Change Programme and required service reviews to deliver a new Council operating model.
- 3.9 The programme of activity takes account of the DLUHC external assurance review recommendations and has been positioned as part of the Council's evidence that it has the capability to implement a programme of change to deliver the required savings to achieve financial sustainability. The outcome of which will enable the Council to present a balanced five-year MTFP.
- 3.10 The service review framework provides a consistent tool for the application of operating model principles enabling services to re-imagine how best to configure their service offer, in order to maximise desired outcomes. The framework will also apply zero based budgeting principles within the service reviews to ensure resources are aligned to required activity.
- 3.11 Financial goals for service reviews will be formed during an assessment stage using benchmarking and other relevant information. Local context and previous decisions will also be considered. All service reviews will present opportunities and recommendations through costed business cases and will embed operating model design principles. Service reviews will be business-led and carried out in line with the MTFP, DLUHC recommendations, operating model design principles and key strategies.

3.12 Service reviews are currently mobilised to support high value budget saving proposals in Revenues and Benefits, Leisure Services and Library Services. Further information will be provided to the Finance sub-Committee in respect of further prioritisation and service recommendations. The outcome of the service reviews will be reported to, and recommendations approved by, where relevant, the Policy and Services Committees in forming the financial recovery plan and 2023/24 budget and may be implemented in advance of the 2023/24 budget being set.

2022/23 Budget

3.13 A balanced budget for 2021/22 was approved on 1 March 2021, and incorporated an assumption for access to short-term support in the form of a capitalisation directive of £10.7m. The extent of the Council's financial challenges is well documented and recognised most recently at the Policy & Resources Committee meeting of 17 January 2022 when it was noted that the Council's structural deficit needs to be eliminated as part of the defined budget setting process.

3.14 On 17 January 2022, a range of proposals contributing to the 2022/23 draft Budget were published as part of the budget consultation process. The draft budget at that time presented the potential for a balanced position for 2022/23 based on several assumptions.

3.15 As the final local government finance settlement is yet to be published, this report contains the assumptions made following the provisional settlement. Once published, where the final settlement impacts on the assumptions laid out in the report, there will be a verbal update provided to the Committee at the meeting.

3.16 Delivering a balanced position for 2022/23 remains dependent on the financial position of the Council remaining stable throughout the year. Factors such as changes to demand for services, the as yet unknown longer-term impact of Covid-19 and the economic outlook present risks to this position of stability.

3.17 Following the approval of the 2022/23 budget, monitoring of financial activity will take place via the relevant committees throughout the year, to ensure that agreed savings proposals are delivered upon and a balanced budget position can be reported at the end of 2022/23. Where budgets are at risk of reporting an adverse position, Committees will be required to take remedial action to ensure they can be brought back in line.

3.18 The budget proposals for 2022/23 have been formulated via a rigorous review process that has involved:

- Directorate Management Teams (DMT)
- Senior Leadership Team (SLT)
- internal finance assurance review
- external review via the engagement of the Chartered Institute of Public Finance and Accountancy (CIPFA)
- Council Committees and
- Finance Sub-committee workshops

- 3.19 This process of review and challenge has been delivered to ensure that the budget proposals included in this report have been fully scrutinised and are fit and proper in terms of readiness for decision-making.
- 3.20 In the Governance Report commissioned by DLUHC, it was noted that the Council's financial position "has its underlying causes in the failure to ensure a sustainable financial model for the Council, the reliance upon balances and the failure to deliver on past savings plans". The process undertaken for 2022/23, the MTFs and the subsequent budget proposals address this.
- 3.21 The delivery of budget proposals will be a top priority for the Council during 2022/23. As a prudent measure, in recognition of future unknowns, including the outcome of consultation, a contingency reserve of £3m has been built into budget plans in order to address any potential delays to delivering savings from 1st April 2022.
- 3.22 In addition to the standard budget monitoring process currently undertaken, which reviews progress made on savings delivery, in 2022/23 additional scrutiny will be provided via the Finance Sub-Committee, the Independent Panel and a Chief Executive led savings delivery board.
- 3.23 The proposed budget for 2022/23 is summarised as follows:

	22-23 (£m)	22-23 (£m)
FUNDING		
Council Tax	-163.03	
Business Rates	-139.41	
Other	-28.13	
TOTAL FUNDING		-330.57
BUDGET REQUIREMENT		
Baseline	329.40	
Removal of one-off items from 21/22:	-6.55	
Baseline Restated		322.85
Total Pressure/ Investments		25.56
Savings Income and efficiencies:		
Service redesign	-5.01	
Income from growth	-0.96	
Developing new income channels	-1.95	
Reduction in service provision	-1.41	
Departmental staff remodelling	-2.94	
Demand change/management	-6.02	
Total Savings Income and efficiencies:		-18.29
TOTAL BUDGET REQUIREMENT		330.13
BUDGET SURPLUS		-0.44

- 3.24 The budget surplus of £0.44m that is presented is proposed for transfer to the General Fund to support the endeavour to enhance the Council's financial resilience.
- 3.25 A number of the budget proposals have staffing implications. It is estimated that the overall number of posts to be reduced is approximately 136 full time equivalent. This is an indicative figure at this stage. It is planned to achieve this reduction through the deletion of vacancies and releasing staff under the terms of the voluntary severance/early voluntary retirement (VS/EVR) scheme as far as possible. Expressions of interest have been invited from staff in respect of VS/EVR and applications are being assessed against the budget options. Where possible and appropriate, staff will be redeployed into other roles before considering any compulsory redundancies.

Funding

- 3.26 The Council's main source of funding is made up of Income from Council Tax and Business Rates. The provisional statutory calculation for Council Tax for 2022/23 is included within Appendix 8. The Business Rates calculations include business rate relief as set out in the Discretionary Rate Relief Policy included within Appendix 10. The total business rate funding is made up of:
- Business rate income and Section 31 grants of £85.12m
 - Government top-up grant of £54.29m, which includes the equivalent of £19.24m Better Care Fund (Better Care Fund grant is forgone because of the Council's involvement in the Business Rates Retention Scheme pilot)
- 3.27 Other sources of funding include the Social Care grant of £19.77m, which includes an increase of £5.13m from the previous year. The grant is provided to upper tier authorities for social care expenditure, on both Adult and Children's Social Care and is used to address care needs that are a result of age, illness, disability or any significant change in life in addition to specific care needs of children, young people and their families. Discretion is available for local authorities to determine how much of it should be spent on adult social care and how much should be spent on children's social care. The Council also has the discretion to apply an Adult Social Care precept of 1% on Council Tax bills to support the budgetary pressures of £7.6m; approximately £1.6m could be generated through the application of the precept, which has been factored into the budget assumptions.
- 3.28 Included within the other sources of funding is:
- New Homes Bonus of £0.44m
 - Lower Tier Services Grant of £0.51m
 - One-off Services Grant of £5.62m, which has been provided in recognition of the vital services, including social care, delivered at every level of local government and includes funding for the increase in employer National Insurance Contributions
 - Health and Social Care Market Sustainability and Fair Cost of Care funding to support Local Authorities prepare their markets for reform and move towards paying providers a fair cost of care - £1.22m

Details of this funding was provided in Appendix 2 of the report to this committee of 17 January 2022

Baseline Budget Requirement And Approach To Budget Setting

- 3.29 At its Budget Council on 1 March 2021, the budget for 2021/22 of £329.4m was approved. No permanent changes have been made to this position in year and therefore this presents the starting position for the 2022/23 budget.
- 3.30 The budget setting approach agreed by this Committee on 9 June 2021 did not bridge the budget gap that had been presented for 2022/23. There was an absence of significant service change from the initial proposals, which was the catalyst for a more radical approach in the form of setting budget envelopes (which has some similarities with cash limit budgeting) for Directorates to work to.
- 3.31 The Budget gap after pressures and removal of 'one off's' was approximately £27.6m or 8.3% of net budget. Following agreement of 'Tranche 1' savings of £11.3m and in recognition of the residual shortfall in savings following the initial approach to budget setting, it was agreed that a more radical approach was required in the setting of budget envelopes to deliver the remaining £16.3m.
- 3.32 The revised target, underpinned through the allocation of budget envelopes was designed to remove the embedded structural deficit, facilitating a reset of the 2022/2023 base position that allows a balanced budget to be set.
- 3.33 Budget Envelopes were adopted by Policy and Resources Committee 1 December 2021, with the requirement that Policy and Service Committees be tasked to deliver their services within their respective Budget Envelopes. Notwithstanding the budget limit approach for each Directorate, the Budget Envelope approach was designed to further enhance Policy and Service Committee accountability for the optimal allocation of resources across their services in scope. Performance on delivering net savings proposals will be aligned to actual in-year financial performance to track and drive implementation.
- 3.34 Initial Tranche 2 targets were set using the Council's approved MTFs principles, producing stretch target savings that would address the residual £16.3m balance on the overall £27.6m budget gap.
- 3.35 In meeting Budget Envelope targets, Directorates submitted 79 savings proposals totalling approximately £26m - just short of the target of £27.6m. Due to a higher than anticipated provisional Government Grant settlement, of approximately £12.6m, the Council's overall funding position moved up to £330.6m and this meant that the savings proposals were able to be scaled back to £20.3m from £25.97m due to the application of additional social care grant. This revised £20.3m target was further eased back to £18.6m due to reduced cost pressures. In essence, the revised Budget Envelopes for each of the services incorporate the accepted savings proposal and associated net cost reduction.

Budget Build at Directorate Level

Directorate	21/22 Base Budget	Removal of 21/22 one-off	Press- ures	Savings	22/23 Sub Total	Allocat'n of Corp./ cross cutting Items	22/23 Revised Budget Envelope
	£m	£m	£m	£m	£m	£m	£m
Adult Care & Health	113.60	0.00	7.60	-3.89	117.31	1.43	118.74
Chief Executive Office	1.80	0.00	0.00	-0.11	1.69	0.11	1.80
Children, Families & Education	86.60	-0.50	2.05	-3.15	85.00	2.06	87.06
Law & Governance	6.00	0.05	0.05	-0.66	5.44	0.28	5.72
Neighbourhood Services	54.00	-3.94	0.16	-5.41	44.81	5.07	49.88
Regeneration & Place	33.90	1.25	0.39	-1.84	33.71	1.22	34.92
Resources	33.50	0.14	2.73	-3.23	33.15	-1.14	32.00
Corporate/ cross cutting	0	-3.55	12.58	0.00	9.03	-9.03	0.00
TOTAL	329.40	-6.55	25.56	-18.29	330.13	0.00	330.13

Pressures/Investments

3.36 A full list of the pressures by Directorate for 2022/23 is included within Appendix 6.

Savings, income and efficiencies

3.37 A full list of the savings and income by Directorate for 2022/23 is included within Appendix 2.

Medium-Term Financial Strategy

3.38 The MTFS is a key document in ensuring the Council can achieve the outcomes of the Wirral Plan. It covers a 5-year timeframe and sets out the Council's strategic direction with regards to its financial ambition to ensure that all financial resources are aligned to its priorities.

- 3.39 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.
- 3.40 At Policy and Resources Committee 25 October 2021 the MTFS guiding principles were agreed, to inform the budget setting process, in that the Council will:
- a) Set fees and charges commensurate with a going market rate for the services we provide and make concessions available for vulnerable groups.
 - b) Set spending levels for services not higher than the Metropolitan average to ensure we can demonstrate value for money for resident funding, unless there are exceptional circumstances.
 - c) Ensure a digital first approach and review all services to ensure we are making full and immediate use of digital capacity and automation.
 - d) Ensure that our non-statutory services are not subsidised at the detriment of statutory services, unless an evidenced return on investment is demonstrated.
 - e) Ensure our establishment is at the required level for the services we need to provide and where it needs to be reduced, we will attempt to redeploy staff or provide opportunities for staff to exit the organisation voluntarily before making any compulsory redundancies.
 - f) Only allocate resources to the themes in the Wirral Plan and where beneficial outcomes can be evidenced.
 - g) Provide opportunities for communities to engage in where we allocate our resources whilst being clear and realistic about affordability.
 - h) Consider a range of delivery mechanisms for providing services appropriate to the most beneficial outcomes for communities.
 - i) Aim to promote and stimulate strong and sustainable growth to generate future income flows.
 - j) Support trusted partners by leveraging external funding and, within risk-based controls, use the Council's covenant strength to enable regeneration.
 - k) Within 2 years build up and maintain its general fund balances at 5% of its net revenue budget and will maintain a suite of earmarked reserves that will be used for specific projects to support the key priorities and safeguard against financial risk.
 - l) Not use any one-off Council funding to underpin the revenue budget.
 - m) Recognise the impact of council tax increases on the public and consider this alongside the annual budget setting process.
 - n) Ensure that expenditure is contained within the budget envelope and where unforeseen circumstances result in a risk that expenditure will exceed the budget envelope, produce immediate plans to bring it back in line.

- 3.41 At its meeting of 1 December 2021, Policy & Resources Committee approved the MTFs for 2022/23 – 2026/27, which contained indicative figures for each of those financial years. The changes to those figures, as outlined in this report via a revised MTFP (appendix 3) have been updated in the MTFs. The revised document is provided at Appendix 11.

Future Year Assumptions

- 3.42 The expected Government Fair Funding Review was originally delayed to 2021 as a result of the Covid-19 crisis; this has been delayed further because of the ongoing nature of the pandemic. The Business Rates Retention Scheme, for which Wirral is currently participating in a pilot scheme which allows 100% business rates retention, was expected to be reviewed in 2021/22, however it has been confirmed that the current arrangement will remain in place for 2022/23; future years application remains uncertain.
- 3.43 Wirral Council's involvement in the Business Rates Retention Scheme pilot commenced in 2017/18, along with our Liverpool City Region (LCR) counterparts. The scheme requires local authorities to forgo the Revenue Support Grant (RSG) as well as other funding streams, such as the Better Care Fund (BCF) in the LCR, whilst each authority keeps 99% of the Business Rates it collects in comparison to the 49% it would otherwise retain (the remaining 1% in each case goes to Merseyside Fire and Rescue as a precepting authority).
- 3.44 There is a risk that the conclusion of the Business Rates Retention Scheme pilot could have a negative impact on the Council's funding position as Wirral benefits by approximately £7m per year as a result of participating in the pilot.
- 3.45 In September 2021, the Government announced plans for health and social care funding through a new tax, the Health and Social Care Levy. The levy will be used to support adult social care reform in England over the next three years (2022 to 2025). The impact of this on Council finances beyond 2022/23 is yet to be made clear.
- 3.46 The Provisional local government finance settlement for 2022/23 notes the proposal to introduce a one-off Services Grant, which includes funding for local government costs for the increase in employer National Insurance Contributions. Whilst the grant is noted as one-off, the increased national insurance costs will be ongoing and presents a financial pressure in future years in the absence of a defined funding mechanism.
- 3.47 In 2023/24, the MTFP (Appendix 11) presents a deficit of £8.2m. The Council is assumed to see a rise in costs (£17.75m) during that year, however the Change Programme, Service Reviews and budget envelope approach to targeting where savings should be delivered from with the organisation will facilitate a balanced position being delivered in future year budget rounds.
- 3.48 For 2024/25, the MTFP (Appendix 11) currently presents a cumulative deficit of £17.09m due to pressures that have been incorporated into plans at present. The MTFP will be regularly updated and reported to the Policy and Resources Committee who will take a view and action as necessary to ensure a balanced budget can be presented each year.

- 3.49 The estimates for 2025/26 and 2026/27 should be considered prudently, as the longer the period of time, the greater uncertainty there is in estimating demand, funding and budget requirements.
- 3.50 The Capital Programme can act as a catalyst to accelerate the pace and scale of regeneration and growth in the borough across the medium and long term. This encourages market confidence, demand and growth from developers, inward investors and local businesses that will boost the revenue potential through direct income and/or future increased business rate receipts. Recent spending review announcements have identified opportunities to either fund these programmes at a lower cost, or fund new programmes, which may not have been manageable within the current Capital Programme.
- 3.51 The Regeneration and Place Directorate has developed a comprehensive regeneration programme which enables creation of a resilient and inclusive economy across Wirral, as well as a number of place-based regeneration programmes. The latter is focused on the east of the Borough along the Left Bank of the River Mersey, stretching from New Brighton to Bromborough. The Left Bank programme has at its heart an ambitious programme for Birkenhead to create a sustainable, waterfront community, articulated in the Birkenhead 2040 Framework.
- 3.52 The regeneration programme is supported by the emerging Local Plan through its focus on maximising the use of brownfield sites to meet Wirral's housing and commercial development needs. In addition, the Local Plan will ensure that physical and community infrastructure is included as an integral part of regeneration.
- 3.53 Wirral has been successful in securing over £100m of external regeneration funding to be spent over the next four to five years and will continue to secure further funds over the coming year. The programmes secured include two Future High Streets Programmes, Towns Fund and Levelling Up Fund, as well as transport and infrastructure investment from Liverpool City Region Combined Authority. In addition, the regeneration programme will leverage over a billion pounds in private sector investment.
- 3.54 The new development arising from the regeneration programme will generate significant Business Rates and additional council tax which will contribute to Council funding in support of addressing the financial challenges being faced. This includes Business Rates generated by 2025 through the new Commercial Business District in Birkenhead, developed through the Wirral Growth Company.
- 3.55 It is noted that in the absence of mitigations, there may be significant risks in developing the regeneration programme. However, the Council has robust mitigations in place, takes specific external advice and carries out required due diligence to offset this risk

Council Tax

- 3.56 Policy and Resources Committee agreed the Council Tax Base for use in 2022/23 on 17 January 2022.
- 3.57 The Tax Base calculation process is as follows:

- Calculate the number of properties on 30 November 2021 and adjust for changes due to demolitions and new builds up to 31 March 2023 which are then converted to a full year Band D equivalent. Adjustments are made for discounts, exemptions and disabled relief and any changes expected over the year reflecting the Local Council Tax Reduction Scheme and changes to empty property discounts and premiums.
- Convert the number of “discounted” dwellings in each Council Tax Band to Band D equivalent.
- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year. The amended calculation is as below and is utilised in calculating the Council Tax charge for 2022/23.

Wirral Council Tax Band D calculation 2022/23

Band	Properties 2022	Changes due to LCTRS discounts, exemptions	Revised property equivalent	Ratio to Band D	Net Band D equivalent
A	60,867	(24,803.30)	36,063.70	6/9	24,042.47
B	32,880	(7,348.68)	25,531.32	7/9	19,857.69
C	27,760	(3,944.70)	23,815.30	8/9	21,169.16
D	13,528	(1455.61)	12,072.39	9/9	12,072.39
E	8,399	(755.07)	7,643.93	11/9	9,342.58
F	4,362	(288.33)	4073.67	13/9	5,884.19
G	3,174	(220.91)	2,953.09	15/9	4,921.82
H	278	(34.39)	243.61	18/9	487.22
Band A Disabled		(4.3)	64.5	5/9	35.83
Total	151,248	(38,855.29)	112,461.51		97,813.35
Assumed Collection Rate					x 97.30%
Adjusted Council Tax Base					95,172.39

- 3.58 The increase in the Council Tax-Base, coupled with general inflationary increases and allowances for the Adult Social Care precept, is expected to result in increased Council Tax income of approximately £6.35m in 2022/23. Wirral’s share of Council Tax after the non-collection allowance is applied is expected to be £163m. This amount has been reflected in the 2022/23 Budget.
- 3.59 In terms of inflationary increases, the Government announced in the provisional Local Government Finance Settlement that General Council Tax can increase by 1.99%. The Referendum threshold for general Council Tax increases is set at 2% for 2022/23, this means that local authorities will be able to increase their relevant basic amount of council tax (essentially their average Band D council tax including special expenses and levies but excluding local precepts) by up to 2% without having to hold a referendum. The calculation of the Referendum ‘trigger’ amount is a comparison between overall Band D levels for 2021/22 and 2022/23.

- 3.60 The recent provisional Local Government Finance Settlement included permission to include a 1% Adult Social Care Precept in 2022/23, over and above the inflationary increase of up to 1.99%. If agreed, this generates an additional £1.58m funding for the Council in 2022/23.
- 3.61 The decision on the level of Council Tax is scheduled to be made by Council 28 February 2022. The current budget proposal for 2022/23 assumes that general Council Tax will increase by 2.99%, representing the inflationary increase of 1.99% plus the Adult Social Care Precept of 1%.
- 3.62 The Local Council Tax Support grant of £3.9m received in 2021/22 has been held in reserve and drawn down, along with the residual Hardship Fund, in 2022/23 and 2023/24 to offset the Collection Fund deficit, which resulted from the Covid-19 pandemic and is being recovered over a 3 year period to 2023/24 in line with the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 which came into force on 1 December 2020.
- 3.63 On 3 February 2022, the Chancellor of the Exchequer announced funding in recognition that many households will need support to deal with rising energy costs, which are being affected by global factors.
- 3.64 A component of the funding relates to what has been termed a “Council Tax Rebate”, with the details of how this will work initially laid out as follows (subject to further guidance):
- Households in England in Council Tax Bands A-D will be eligible for a £150 rebate.
 - Local authorities will make payments direct. This won’t have to be repaid.
 - The rebate will not be paid for second homes or empty properties.
 - Payments will be made direct to Council Tax payers (rather than a credit being applied to bills), with Local Authorities using bank account details held to credit their account with a one-off payment of £150. Other arrangements will need to be made where bank account details are not held.
 - For those with council tax bills lower than £150 that month, it will take a bit longer to receive the benefit in full. Almost all households should see the full benefit by May.
 - The government is providing new funding to local authorities for these rebates, as well as extra funding to help with increased administrative costs.
 - For those who need help with their energy bills but are not eligible – such as households on income support in higher bands (E-H) or with properties in bands A-D that are exempt from council tax – local authorities will receive a share of a £144 million discretionary fund.
 - Further details will be set out by the Department for Levelling Up, Housing and Communities and local authorities.
- 3.65 In the absence of guidance from HM Treasury, it has been assumed that the Council will operate as the government’s agent in the administering of these schemes and there are therefore no revenue budget implications. When government guidance has

been made available, the proposals will be implemented accordingly, and if the assumption adopted needs to be addressed further details will be provided.

Setting the council tax levels

- 3.66 In setting the Council Tax, the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council must calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2022/23 is not excessive and that a Referendum is not necessary.
- 3.67 The Statutory Calculations form part of the Policy & Resource Committee recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2022/23 with that for 2021/22 for the Council's basic amount of Council Tax and the Adult Social Care Precept. The provisional statutory calculations are contained in Appendix 8.
- 3.68 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2022/23 once known. If this information is available before the publishing date for Budget Council, this will be included as a separate report within the Council papers agenda. In 2022/23 the Liverpool City Region Combined Authority (LCR CA) will continue to levy a precept for the LCR CA Mayoral precept.

Business rates

- 3.69 National Non-Domestic Rates (NNDR), or Business Rates are payable by businesses based on the rateable value of the premises they occupy, which is calculated according to how much rent the premises would achieve if rented out. Valuations are carried out by the Valuation Office Agency on a five-year cycle and the latest valuation list applies from 2017. The Council is responsible for calculating actual rates bills and for collecting rates and use the rateable value in working out how much a business will have to pay. The actual rates bill is calculated by applying the rate multiplier (a rate in the pound) to the rateable value (as assessed by the Valuation Office Agency (VOA), which is an agency of HM Revenue and Customs) and then deducting any reliefs that are applicable.
- 3.70 Whilst presenting opportunities, the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. The amount received may fluctuate due to a number of reasons including:
- Appeals against rating decisions, dealt with by the Valuation Office Agency and can be large and backdated a number of years;
 - Changes in liability relating to changes in occupancy;
 - Changes in building use;

- Alterations to buildings size and layout;
- Demolitions and new builds;
- Actions to avoid full liability including empty property/charitable reliefs;
- Assessment of bad and doubtful debts.

3.71 Policy and Resources Committee are asked to approve the Discretionary Rate Relief Policy for Business Rates for 2022/23 which remains unchanged from 2021/22. A copy of the updated Discretionary Rate Relief Policy is included at Appendix 10.

3.72 The deficit in 2022/23 being allocated to Wirral Council is 99% and to Merseyside Fire and Rescue Service is 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2021/22 financial year together with a forecast for 2022/23 had to be submitted to the Government by 31 January 2021. The forecast Business Rates income for 2022/23 shows that the receipts to the Council, including Section 31 grants to compensate for mandatory reliefs, will increase by £0.94m from the 2021/22 levels.

3.73 Since April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate local authorities for these decisions the Government has allocated Councils a series of Section 31 Grants. These are calculated as part of the National Non-Domestic Rates 1 return which is submitted to government by 31st January each year plus any supplementary grants awarded in year should government introduce new rating policy changes.

Schools Budgets

3.74 The Schools Funding Allocations were issued by the Department for Education on 16th December 2021. The format of the Dedicated Schools Grant (DSG) is unchanged with Local Authority allocations determined by the National Funding Formula (NFF) for Schools, High Needs and Early Years. The main features include:

- school funding increased by 3.2% overall with every secondary school allocated at least £5,525 per pupil and every primary school allocated at least £4,265 per pupil
- local authorities will continue to set a Minimum Funding Guarantee in their local formulae, which for 2022-23 is between +0.5% and +2.00%.
- the Schools Block continues to be ring-fenced with limited flexibility to transfer up to 0.5% of the schools' block to High Needs with Schools Forum approval
- High Needs funding increased by £780m, or 9.6%, in 2022-23 – following the over £1.5 billion increase over the last two years.
- Early Years hourly rates paid to local authorities will increase by £0.21 for 2-year old's and £0.17 for 3&4-year old's
- central schools services funding increased by 4% for the ongoing responsibilities that local authorities continue to have for all schools, while funding for historic commitments within this block will decrease by a further 20% for those local authorities in receipt of this funding.

3.75 The proposed allocation of the DSG was presented to and considered by School's Forum on 18 January 2022. The detailed budget proposal is in Appendix 7 and a summary is as follows:

	2022-23 Budget £
Schools Block	237,825,032
Central School Services Block	3,579,849
High Needs Block	54,278,706
Early Years Block	20,183,630
Total before contribution from DSG reserve	315,867,217
Contribution from DSG reserve	289,889
Total after contribution from DSG reserve	316,157,106
Funded by:	
DSG	314,697,606
Council (PFI Affordability Gap)	1,459,500
Total funding	316,157,106

3.76 Schools Forum agreed to contribute £630,450 to Combined Budgets from the Central Schools Services Block.

3.77 The ringfenced DSG reserve is expected to end 2021/22 with a cumulative deficit of £1.998m as detailed in the Schools Budget Report 2022/23 at appendix 7. The impact on the DSG reserve of the budget setting process reflects a worsening position for 2022-23 and 2023-24 but then improving from 2024-25 onwards, as summarised in the table below.

	2022-23 Budget £m	2023-24 Forecast £m	2024-25 Forecast £m	2025-26 Forecast £m
Surplus / (deficit) brought forward.	(1.998)	(2.288)	(2.487)	(1.948)
Contribution to / (from) reserves	(0.290)	(0.199)	0.539	1.202
Surplus / (deficit) carried forward.	(2.288)	(2.487)	(1.948)	(0.746)

3.78 Following an amendment to the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations) the Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget, in effect separating it from the General Fund for a period of three financial years. This is to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit. During this period the Council is unable to contribute financially to the schools' budget without permission from the Secretary of State for Education.

3.79 The reserve balance across the 2022-23 budget year and 3-year forecast period reflects the impact of increasing demand and the changes that are planned to meet

demand whilst minimising the impact on expenditure. It is expected that the strategies that are to be adopted will deliver a surplus reserve balance by the end of 2026-27.

Levies and Liverpool City Region Combined Authority

- 3.80 There is a statutory requirement to agree the levies for 2022/23 before 14 February 2022 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.
- 3.81 The Liverpool City Region Combined Authority considered the recommendations from the Merseytravel Committee on 21 January 2022. The Transport Levy has increased by 2% for 2022/23, reflecting higher inflation and demographic pressures in comparison to the previous year. Wirral's share of the costs increased by £0.4m to £22.5m.
- 3.82 The Merseyside Recycling & Waste Authority were scheduled to meet 11 February 2022 to agree the final Levy for 2022/23. The Levy set out for the Council is £17.665m, representing no change from 2021/22.

Level of General Fund Balances

- 3.83 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.
- 3.84 The Covid-19 pandemic has highlighted the importance of General Fund balances, Local Authorities with strong General Reserves have seen greater financial sustainability.
- 3.85 Grant Thornton, the external auditors, have recommended that Wirral Council look to build on General Fund balances to improve the Council's financial resilience.
- 3.86 The MTFs incorporates 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.
- 3.87 The Council has a statutory duty to determine the level of General Fund Balances and Reserves it maintains before it decides on the level of Council Tax. The level of balances should be based on the Council's own specific circumstances. The financial future for the Council continues to be challenging and a number of major uncertainties remain. In determining the appropriate level of reserves, the Section 151 Officer has assessed a number of factors. This takes account of the strategic, operational and financial risk factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by Chartered Institute of Public Finance and Accountancy (CIPFA), the professional body which issues the guidance in this area.

Summary of the Assessed Level of General Fund Balances

	2021/22	2022/23
	£m	£m
General Fund Balance considered appropriate	10.7	13.6

- 3.88 £13.6m of general fund balances represents around 4% of the Council's net revenue budget. A level which it is considered to facilitate medium term financial resilience would be at 5% or £16.5m – one of the agreed principles of the MTFs is that within 2 years general fund balances will be increased and maintained at 5% of net revenue budget along with the maintenance of a suite of earmarked reserves that will be used for specific projects to support the key priorities and safeguard against financial risk. A repurposing, as a result of changes to pressures, of earmarked reserves facilitates the 2022/23 increase in the general fund balance.

Review of Earmarked Reserves

- 3.89 Resources set aside for specific purposes as Earmarked Reserves should be established and used in accordance with the purposes intended. The levels of Earmarked Reserves have been reviewed and the anticipated level of Earmarked reserves at the end of 2022/23 is expected to be around £59m. The significant reserves that make up this amount are:

School Balances	£13.5m
NNDR Section 31 Grants	£11.7m
Business Rates Equalisation Reserve	£7.0m
Insurance Fund	£6.9m
Public Health Outcomes	£6.3m
CHAMPS Innovation fund	£3.2m
Financial Instrument Equalisation	£2.1m

Flexible Use Of Capital Receipts

- 3.90 In recent years, Wirral Council has used the temporary government initiative, called Flexible Use of Capital Receipts (FUCR) to fund transformational revenue change in Wirral Council. Budget assumptions for 2022/23 include the utilisation of £3.58m of FUCR (with a component of this relating to a savings proposal of £0.65m in respect of the Strategic Change revenue budget). The FUCR facility will be utilised in-year, as per the available guidance, to support transformation activity. From 2023/24 business planning will facilitate transformational costs to be offset by the benefits delivered by the related activities and programmes of work.
- 3.91 Reducing reliance on one-off funding for revenue expenditure is a key principle of Financial Resilience. Using one-off funds only presents a pressure in the following year as one-off funds are temporary and permanent alternatives will be required to ensure the Council can remain financially sustainable. Member training on Financial Management and Local Government Finance has been delivered recently as part of a wider organisational development plan to support the implementation of the

financial recovery plan; a key component of the Member training was the importance of setting a sustainable financial model in recognition of the need to reduce the reliance on 'one-offs'.

- 3.92 One-off funds should only be used to support one-off temporary expenditure or where there is a robust plan for their replacement to a permanent solution in the following year. As a result, no reserves have been used to balance the budget position.

Robustness of the Estimates

- 3.93 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves.
- 3.94 Appendix 1 sets out the requirements and the actions taken by the Council in relation to the Robustness of both the Revenue Estimates and the Capital Programme. It contains an assessment of the key issues in relation to demonstrating how the legal requirements have been met.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This report is part of a programme of activity to ensure that a fully balanced, legal budget can be recommended by the Policy and Resources Committee to Full Council at its meeting of 28 February 2022.
- 4.2 The programme to develop a robust budget position, which this paper forms part of, will support the Council in ensuring that CIPFA's Financial Management Code (FM Code) is complied with, in particular in relation to Section 4 of the FM Code – The Annual Budget.
- 4.3 The FM Code requires the Council to demonstrate that the processes they have in place satisfy the principles of good financial management, based on the following six principles:
- Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisation culture.
 - Accountability – based on Medium-Term Financial Planning, that derives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management - undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer actions and elected member decision making.
 - Professional standards - Adherence to professional standards is promoted by the leadership team and is evidenced.
 - Assurance - sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

- Sustainability - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

- 4.4 Delivering financial sustainability is vitally important for the Council. The capitalisation directive requirements reinforce the need to develop a revised approach to sustainable service delivery resource planning. 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".
- 4.5 Financial implications of the 2022/23 budget are included within the main body of the report and associated recommendations.

5.0 LEGAL IMPLICATIONS

- 5.1 Failure to agree a legally balanced budget by Full Council on 28 February 2022 may have significant financial, administrative and legal implications and result in Government intervention.
- 5.2 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.
- 5.3 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.
- 5.4 Section 30 (6) and section 31A(11) of the Local Government Finance Act 1992 provides that the Council has to set its budget and Council Tax amount before 11th March in the financial year preceding the one in respect of which the budget is set.
- 5.5 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 (Section 151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 5.6 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. This is because the budget is a sufficiently high-level estimate or cap and, in relation to much of the estimated income and expenditure in exercise of the budget, not set in relation to the distinct decisions that will make up that expenditure throughout the year. As such, when setting and formulating the budget it would be difficult to compile a sufficiently detailed consultation document or undertake a focussed impact assessment.

- 5.7 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):
- Consultation must be at a time when proposals are at a formative stage.
 - The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly.
 - Consulters must give sufficient time for responses to be made and considered.
 - Responses must be conscientiously taken into account in finalising the decision.
- 5.8 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.
- 5.9 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.
- 5.10 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.
- 5.11 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.
- 5.12 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.
- 5.13 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.

- 5.14 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.
- 5.15 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.
- 5.16 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.
- 5.17 Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to the Council meeting on the budget and therefore arguably to the formulation of the Budget. 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 There are no additional resource requirements directly from this report, however the implications for the proposals included within the 2022/23 budget and MTFP will be assessed at the time of implementation. For budget proposals that may result in reductions to the workforce, the Council have consulted with trade unions and relevant staff groups as required and in accordance with section 188(1A) of the Trade Union and Labour Relations Act (TULRCA) 1992).

7.0 RELEVANT RISKS

- 7.1 The Council's ability to close the funding gap is highly dependent on the accuracy of assumptions used for Government funding and levies from other bodies, as well as demand estimates for Council services. As the Local Government Finance Settlement only covers one year, the uncertainty around future funding over the MTFP period remains high.
- 7.2 The Council's ability to maintain a balanced budget is dependent on a proactive approach due to estimated figures being provided in the calculation for the budget, albeit the best estimates 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.
- 7.3 A robust monitoring and management process for the budget is in place. 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.

- 7.4 Failure to achieve a balanced budget would lead to the Section 151 Officer issuing a Section 114 notice and potential ministerial intervention under Section 15 of the Local Government Act 1999.
- 7.5 Funding and demand assumptions in particular can change as more information becomes available and pressures could increase from inflationary impacts and as a result of changes in interest rates. As such, the Medium-Term Finance Plan (MTFP) is regularly reviewed and updated as part of routine financial management.
- 7.6 The budget for 2022/23 is reliant on the generation of future capital receipts, which is sensitive to the fluctuations in the property market and changes in land values. If planned disposals do not take place or can only be achieved at reduced prices, this will create a funding pressure for which further mitigation would need to be sought.
- 7.7 There is also a risk that agreed savings will not be delivered or will be delayed. Progress on delivery of agreed savings will be monitored using Budget Monitoring reports presented to Policy and Service Committees.
- 7.8 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.
- 7.9 A balanced budget is fundamental in demonstrating robust and secure financial management. Delivering a balanced position requires continual review and revision of plans to allow alternative financial proposals to be developed and embedded in plans as situations change. A delay in agreeing these may put the timetable for setting the 2022/23 budget at risk and may result in a balanced budget not being identified in time for the deadline of 11 March 2022.
- 7.10 Assumptions have been made in the current budget outlook 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 final funding settlement, additional savings proposals or reduced expenditure would need to be identified as soon as possible to ensure a balanced position is presented.
- 7.11 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.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Initial consultation, to ask for the views of residents, businesses, and all those with a stake in the future of Wirral, about what council services and priorities matter to them most to help develop the 2022-23 budget took place in 2021. This process ran from 2 to 28 November 2021. The full report of the outcome to the consultation was provided to Policy & Resources Committee 17 January 2022.

- 8.2 Statutory budget consultation took place in January 2022 and details are provided in Appendix 4.
- 8.3 Policy and Services Committees reviewed and debated the draft 2022/23 budget publicly during January 2022. The feedback from the Committees is provided in Appendix 5 for the consideration of the Policy and Resources Committee in respect of the recommendations set out in this report.
- 8.4 The third round of consultations are specific to budget proposals where there is a legal duty to consult – and are focussed on how the budget proposals would be implemented. These consultations are currently live or scheduled. Initial findings will be taken to service committees in June.
- 8.5 The Council has engaged regularly with trade unions about the Council’s financial position and response to the external assurance reports. This will continue throughout the budget setting and implementation process.
- 8.6 For budget proposals that may result in reductions to the workforce, the Council have consulted with trade unions and relevant staff groups as required and in accordance with section 188(1A) of the Trade Union and Labour Relations Act (TULRCA) 1992).
- 8.7 The Council is committed to mitigating the impact on staff as far as possible and will take all steps possible to avoid any compulsory redundancies in accordance with policies and procedures.

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 The equality implications have been considered within the individual savings proposals via the completion of equality impact assessments.
- 9.3 It is recognised that some of the budget proposals could have equality implications. Any implications will be considered and any negative impacts will be mitigated where possible.
- 9.4 Equality implications will be assessed during planning, decision and implementation stages and will be recognised as an ongoing responsibility. Equality issues will be a conscious consideration and an integral part of the process.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The environment and climate implications have been considered within the individual savings proposals.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The community wealth implications have been considered within the individual budget proposals taking account of 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	Report of the Section 151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves
Appendix 2	Savings, income and efficiencies proposals
Appendix 3	Five year Medium-Term Financial Plan
Appendix 4	Budget consultation
Appendix 5	Policy & Service Committee budget proposals feedback
Appendix 6	Pressures/Investments
Appendix 7	The Dedicated Schools Grant Schools Budget
Appendix 8	Provisional Council Tax Statutory Calculations
Appendix 9	Sales, Fees and Charges
Appendix 10	Discretionary Rate Relief Policy
Appendix 11	Medium-Term Financial Strategy
Appendix 12	Budget proposal changes since January 2022

BACKGROUND PAPERS

Pressure and Growth Proposals

Savings and Income Proposals

DLUHC External Assurance Reports

CIPFA's Financial Management Code

Guidance on flexible use of capital receipts

Energy Bills Rebate factsheet

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	01 March 2021
Policy and Resources Committee	17 March 2021
Policy and Resources Committee	09 June 2021
Policy and Resources Committee	25 October 2021
Policy and Resources Committee	30 November 2021
Policy and Resources Committee	01 December 2021
Policy and Resources Committee	17 January 2022
Tourism, Communities, Culture & Leisure Committee	18 January 2022
Environment, Climate Emergency and Transport Committee	20 January 2022
Adult Social Care and Public Health Committee	25 January 2022
Economy Regeneration & Development Committee	26 January 2022
Housing Committee	27 January 2022
Children, Young People & Education Committee	31 January 2022