

Appendix 6: Pressures/Investments

2022/2023 BUDGET SETTING

In constructing the budget for 2022/23 and developing a Medium-Term Financial Plan (MTFP) the following Budget Pressures have been identified.

CHILDREN'S SERVICES

PRESSURE: Reduction in Dedicated Schools Grant (DSG)

More details: Responsibilities held by local authorities for all schools are funded from the central school services block of the Dedicated Schools Grant (DSG). This grant has reduced as more schools move to academy status. Wirral retains a high percentage of maintained schools and as the grant reduces this results in a similar level of responsibility and duties to be undertaken but with a lower level of available funding, thus creating a financial pressure.

Potential Impact: £0.08m

PRESSURE: Home to School Transport Inflation

More details: Transportation costs resulting from the application of Wirral Council's Home to School Transport are fixed for a 2-year period based on academic year. The next renewal date is September 2022, and it is expected that an inflationary increase will be applied

Potential Impact: £0.25m

PRESSURE: PFI Schools Inflation

More details: As per the requirements of the contract, inflation is applied each financial year at 90% of the RPI rate for the preceding December. The impact on PFI costs is forecast to be around 4.50%. Only the proportion that is not funded by PFI grant and the allowable school contribution is the pressure on the Council finances.

Potential Impact: £0.32m

**RPI - Retail Price Index is a measurement of inflation*

PRESSURE: Kingsway PFI Service Costs

More details: Where PFI schools are non-operational, the Council must meet the costs of both the affordability gap and the operational costs. Exploration is underway on options for Kingsway occupancy to generate income. The Kingsway Academy School building has remained empty since the closure of the school. The site is being maintained by the current PFI contractor until a use for the building has been formalised.

Potential Impact: £0.62m

PRESSURE: Looked-after Children – Placement and Inflation Allowance

More details: These are pressure arising due to anticipated inflation on the children placement settings including: In-house Fostering, Independent Fostering, Residential Homes, Semi- Independent Living Accommodation. This assumes the CPI rates for Residential care Semi-Independent and Independent Fostering. This is applied to the Placement budget of £29m

Potential Impact: £0.78m

ADULT CARE AND HEALTH

PRESSURE: Adults, Social Care Assessment – Inflation Implications

More details: All assessment services for Adult Social Care have been outsourced to Wirral Community Foundation Trust (Integrated Services) and Cheshire and Wirral Partnership NHS Foundation Trust (All Age Disability Service). Each year the value of the partnership contract is negotiated to account for staffing salary uplifts and any other variations.

Potential Impact: £0.5m

PRESSURE: Community Care Cost Demand Pressures

More details: Each year Adult Social Care undertakes a review of all standard fee rates for community care. The 21-22 budget for community care is £132.2m. The estimated growth for 22-23 fees was calculated at 3%. The announcement of the 22-23 Real Living Wage of £9.90 representing an increase of 4.2% to all staffing elements of care fees. Non-staffing elements are estimated to uplift in line with CPI.

Potential Impact: £4.7m

PRESSURE: Adults with Disabilities - Demographic Growth

More details: National data sets (PANSI) suggest the overall population of adults with disabilities on the Wirral is static. However, we are aware of local significant demand from transition from children to adults within community care amounting to £1m.

Assumed 2% growth supported by national population statistics for older people (POPPI) amounting to £1.4m against community care

Potential Impact: £2.4m

PRESSURE: Market Sustainability and Fair Cost of Care Fund

More details: In September, the government announced there would be funding to support local authorities move towards paying providers a fair rate of care.

Local authorities are responsible for facilitating the efficient and effective operation of local care markets and this funding is designed to support Local Authorities to address issues affecting their markets and move them to a more stable footing.

This funding will enable local authorities to begin preparing local markets for reform and further guidance is expected in early 2022.

Potential Impact: £1.22m

RESOURCES

PRESSURE: Review of Treasury Management - Capital Financing

More details: The costs of financing the capital programme are contained within the Treasury Management budget. These costs will increase annually due to:

- 1) Approval of new schemes into the capital programme that are funded by borrowing
- 2) The Authority calculates its annual capital debt repayments on an annuity basis (Minimum Revenue Provision - MRP) This means that debt repayments funded through revenue start lower in the earlier years but gradually increase annually until the debt financing is fully repaid.

Potential Impact: £2.73m

PRESSURE: Utility Price Increases

More details: Utility cost increases are expected for 22-23 financial year for both gas and energy prices, due to market forces. The situation about forward prices is very volatile so projections from 2023-24 are open to variation.

Potential Impact: £2.72m

NEGATIVE PRESSURE: Pensions Surplus

More details: The Council currently makes employer contributions to the Merseyside Pension Fund of 17% of employees' pensionable salary. At the last Actuarial valuation in 2019, the Council's pension fund was in surplus and a schedule to repay the surplus was agreed. The proposal is to build the schedule of surplus repayments into the Council's budget. As future revaluations are undertaken the position is likely to change as investment performance can fluctuate over periods dependant upon economic circumstances and other factors.

Potential Impact: -£1.9m

PRESSURE: Pay and Pensions

More details: This covers the estimated pay and national insurance (NI) increases required to align the 22-23 budget with the Council's expected employee costs. This includes the Council's current employee budgets for basic pay, NI and pension. As per government announcements, the NI rate will increase by 1.25% from 1 April 22. At this stage, the pay awards for the financial years 2021-22 and 2022-23 have not been agreed.

Potential Impact: £6.44m

REGENERATION

PRESSURE: Merseytravel Transport Levy

More about this: The Combined Authority (CA) has agreed a 2% increase in the Transport Levy.

The CA is the transport authority for the Liverpool City Region (LCR). Its transport responsibilities are discharged by Merseytravel and by Halton Council within the boundaries of Halton. Transport responsibilities are funded through the Transport Levy. A flat cash Levy was approved for 2021/22 however higher inflation and demographic pressures mean that the CA have identified that this position is not sustainable going forward and the 2% agreed increase means an increase for Wirral from 21/22 of £22.071m to a levy in 22/23 of £22.464m. This is in the overall context of LCR levy increasing from £97.4m to £99.35m .

Potential Impact: £0.39m

NEIGHBOURHOODS

PRESSURE: Highways Maintenance – Gullys

More details: As a result of more frequent weather events the Neighbourhoods service is under increasing pressure from residents and Members to do more to assist with the more effective draining of highway surface water.

Potential Impact: £0.1m

PRESSURE: Waste Collection and Street Cleansing Contract

More details: The Waste Collection and Street Cleansing contract contains a clause that the charge for the contract will be uplifted annually for inflation. This is a Consumer Price Index (CPI) uplift, and review of the last few months CPI figures, whilst erratic, currently suggests a 2.5% uplift. (Actual uplift for the 2022-23 financial year will be based on the March 2022 CPI figure.) There is considerable upside pressure on inflation which is likely to result in an increased charge to that which is detailed.

Potential Impact: £0.06m

PRESSURE: Establish budget to smooth future Waste Levy increases

More details: To limit and smooth the impact of potential waste levy increases in future years monies will be set aside in 22-23. This is considered a prudent approach to managing fluctuating charge levels.

Potential Impact: £0.6m

PRESSURE: Leisure Demand Management Provision

More details: Following restrictions imposed as a result of the Covid-19 Pandemic, we have not yet seen a return to pre-covid levels for footfall into leisure centres. Based on anticipated demand of 75% (2021/22 levels) would result in an income shortfall of around £2m in 2022/23. The provision is to mitigate reduction in income for 2022/23, and along with additional other initiatives being implemented is regarded as being sufficient.

Potential Impact: £0.5m

LAW AND GOVERNANCE

PRESSURE: Coroners Service

More details: This service is shared with, and hosted by, Liverpool City Council. Due to an increased service cost in 2021/22 of £50k directly resulting from the impact of COVID - it is prudent to make a similar budget provision for the 2022/23 financial year.

The current cost is £650,000. For 2022/23 - the budget requirement is £700,000.

Potential Impact: £0.05m

OTHER

PRESSURE: Contingency Reserve for part year effect (15% of total)

More details: As part of the budget setting process, all savings proposals have been internally and externally assessed and validated to ensure they are as robust as they can be with the current information available. However, several factors could impact on whether all the savings are able to be made as a full year effect. This includes the outcome of consultations, changes that happen in year and any factors beyond the Council's control. Therefore, a contingent one-off sum is provided to mitigate any savings not fully achieved. 15% of the full savings total is regarded as a prudent amount.

Potential Impact: £3m