

POLICY AND RESOURCES COMMITTEE

Wednesday 9 November 2022

REPORT TITLE:	2023/24 BUDGET SETTING PROCESS - UPDATE
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report provides a further update on the preparation of the 2023/24 budget further to last month's report highlighting the worsening gap position due to external factors leading to increased inflation, energy prices and pay cost pressures. The report sets out the work undertaken and currently in progress to address the forecast gap position and enable a balanced budget to be set in February 2023.

Policy and Resources Committee, in consultation with the Policy and Service Committees, is charged by Council to formulate a draft Medium Term Financial Plan (MTFP) and budget recommendation to Council.

The process of setting the Council budget supports the delivery of the Wirral Plan 2021-26 by enabling the delivery of all five priorities to achieve the strategic outcomes as set out in the plan.

The matter is not a key decision.

RECOMMENDATIONS

The Policy & Resources Committee is recommended to:

1. Note the on-going work to prepare for the 2023/24 budget,
2. Authorise the Director with portfolio in consultation with the Budget Working Group to undertake any required service consultations that are linked to budget policy options being brought forward, in line with the timetable to enable a budget recommendation in February 2023.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The Council has a legal responsibility to set a balanced budget setting out how financial resources will be allocated and spent. To do this effectively requires the engagement of staff, elected members and residents/service users. The budget must be set by 11 March every year. Failure to set a balanced budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Given the legal requirement to set a balanced budget by 11 March, there are no alternative options in relation to the budget setting timetable for the Council.

3.0 BACKGROUND INFORMATION

- 3.1 As reported to this committee 5 October 2022, the Council commenced its budget setting process for 2023/24 much earlier than in previous years in order to be in a strong position in terms of its continued improvement and financial recovery. The Medium-Term Financial Plan approved in February 2022 identified a 2023/24 budget gap of £14.1m.
- 3.2 In order to address the gap, savings targets were set and Policy Committee budget workshops were convened throughout the summer to develop and review potential savings. As a result of this work a package of budget proposals (Tranche 1) totalling £13.2m was brought forward to ensure the forecast gap could be addressed.
- 3.3 However, in June financial monitoring highlighted a range of new, in-year (2022/23) budget pressures arising from emerging national and international economic factors. These financial challenges have continued to gather pace during the year and the Council has had to revise its assumptions for 2023/24, in line with all other local authorities, to take account of inflation (including contract inflation), increased energy prices and anticipated growth in the pay budget.
- 3.4 In October, this committee gave approval for officers to work up additional (Tranche 2) budget policy options towards meeting the 2023/24 forecast budget gap. To achieve this a further round of Policy Committee budget workshops was also proposed, all of which have now been completed. Committees will formally report back on this work at their next round of meetings and feedback from these committees will be fed through to the Policy and Resources Committee in the New Year. Budget workshops have also now been convened for this committee to review all Tranche 1 and Tranche 2 policy options that have been brought forward.
- 3.5 The timetable for all of this additional budget development work is challenging. There is a need for this work to proceed at pace to ensure sufficient time for any required service consultation to be undertaken in advance of the budget recommendation and decision in the New Year. To facilitate this, Policy and Resources committee is requested to give delegated authority for Directors with portfolio to plan and initiate

any required service consultations that would be required for budget options to be deliverable from 1 April 2023.

3.6 In addition to the work to bring forward Tranche 2 budget options, officers are reviewing all other opportunities to address the forecast gap position in 2023/24 including:

- Ensuring all 2023/24 pressures are fully tested and validated,
- Closely monitoring all government announcements in relation to matters relating to the 2023/24 budget.

3.7 A final budget gap position for 2023/24 will only become clear when we receive notification from national government on the local government financial settlement. This is usually provided in mid-December. Until then, updates on progress in preparing the 2023/24 budget will continue to be provided via Group Leaders Budget Working Group.

4.0 FINANCIAL IMPLICATIONS

4.1 This report provides the Committee with an update on 2023/24 budget preparation. Financial implications in relation to the 2023/24 budget will only be clear once the government's financial settlement has been confirmed. This will be reported through to this committee in January.

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 (MTFP) and budget recommendation to 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.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The budget development process for 2023/24 is being delivered within existing resources.
- 6.2 For all individual budget policy options brought forward, an impact assessment will be completed setting out their impact on staffing, assets and other resource implications.

7.0 RELEVANT RISKS

- 7.1 There is a risk the Council is unable to set a balanced budget which could lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. Wirral Council is currently under additional scrutiny through an Independent Assurance Panel appointed as a condition of Wirral's request for exceptional financial support in the form of a capitalisation directive in 2021 and 2022. Officers are in regular communication with the Panel and the Department for Levelling Up Housing and Communities (DLUHC) to update on our progress preparing our 2023/24 budget.
- 7.2 There is a risk of there being insufficient time to prepare budget policy options and any required consultation in advance of the budget recommendation in February 2023. This could lead to consultation having to be delivered and completed following the budget being set which could result in full year savings not being realised. A timetable and budget development project plan is being maintained and monitored to mitigate this as far as possible.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The preparation of the annual budget requires engagement of all key stakeholders. Senior Leadership Team (SLT) has been engaged in the 2023/24 budget setting process since May. Elected Members have been engaged through Group Leaders Budget Working Group and all Policy Committees have been engaged in the process through the budget workshops delivered over the summer. A further round of budget workshops will be delivered through autumn to review the additional budget policy options brought forward as part of Tranche 2 savings.
- 8.2 The budget development process creates a requirement for consultation on a number of levels including:
- Service impact consultations – all budget options brought forward will be assessed to determine if there is a requirement for service specific consultation in line with statutory requirements.
 - Statutory budget consultation – this can only be completed once a draft budget has been developed and reported.
 - Staff impact consultation – this is a statutory requirement where there is a direct impact on any staff effected by budget proposals.
- 8.3 As budget policy options are brought forward, they will be assessed to determine the level of consultation requirements as set out above.

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 (EIA) 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 For all budget policy options included as part of the final budget recommendation, and EIA will be completed.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no Environment and Climate Emergency implications arising as a direct result of this report. All budget policy options brought forward, will need to consider any associated implications as part of their implementation.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 This report has no direct community wealth implications however the budget proposals under consideration 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**

REPORT AUTHOR: **Mike Callon**
Head of Corporate Office
telephone: 0151 691 8379
email: michaelcallon@wirral.gov.uk

APPENDICES

N/A

BACKGROUND PAPERS

CIPFA's Financial Management Code

The Annual Audit Letter for Wirral Council 2019-20

Medium Term Financial Strategy 2022-27 Wirral Council

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	05 October 2022
Policy and Resources Committee	13 July 2022
Policy and Resources Committee	16 March 2022
Full Council	28 February 2022
Policy and Resources Committee	15 February 2022

APPENDIX 1 – KEY PRINCIPLES OF THE MEDIUM-TERM FINANCIAL STRATEGY

The Council will:

1. Set fees and charges commensurate with a going market rate for the services we provide and make concessions available for vulnerable groups.
2. 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.
3. Ensure a digital first approach and review all services to ensure we are making full and immediate use of digital capacity and automation.
4. Ensure that our non-statutory services are not subsidised at the detriment of statutory services unless an evidenced return on investment is demonstrated.
5. 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.
6. Only allocate resources to the themes in the Wirral Plan and where beneficial outcomes can be evidenced.
7. Provide opportunities for communities to engage in where we allocate our resources whilst being clear and realistic about affordability.
8. Consider a range of delivery mechanisms for providing services appropriate to the most beneficial outcomes for communities.
9. Aim to promote and stimulate strong and sustainable growth to generate future income flows.
10. Support trusted partners by leveraging external funding and, within risk-based controls, use the council's covenant strength to enable regeneration.
11. 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.
12. Not use any one-off Council funding to underpin the revenue budget.
13. Recognise the impact of council tax increases on the public and consider this alongside the annual budget setting process.
14. 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.