

**TOURISM, COMMUNITIES, CULTURE AND LEISURE COMMITTEE****Thursday, 2 February 2023**

<b>REPORT TITLE:</b>	<b>BUDGET SETTING 2023/24</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF NEIGHBOURHOOD SERVICES</b>

**REPORT SUMMARY**

The purpose of this report is for the Committee to consider feedback and outcomes from the Budget Workshops which have been held in recent months. The workshops enabled officer and member liaison on proposed budget options, to facilitate discussion and allow direction to be obtained on further analysis required. The Budget Workshops also provided an opportunity for alternative proposals to be considered.

The Policy and Service Committees are responsible for those services being delivered under their operational headings within their annual budget envelope. 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.

This report also provides an update on the 2023/24 budget setting process with details on the most recent budget options, which were developed in response to the previously outlined budget gap.

Appendix 2 and 3 of this report contains exempt information as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public during consideration of these items under Paragraph 3 'information relating to financial or business affairs of any particular person (including the authority holding that information).

**RECOMMENDATIONS**

The Tourism, Communities, Culture and Leisure Committee is recommended to:

1. Agree that the Budget Workshop feedback and outcomes, as detailed in Appendices 2 & 3, be reported to Policy and Resources Committee for consideration.
2. Note the latest budget information provided to Policy and Resources Committee in January.
3. Note and comment on the outcome of the public consultation for Leisure and Library Services as detailed in Appendices 4 & 5 to the report.

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 The Council has a legal responsibility to set an annual balanced budget, which establishes how financial resources are to be allocated and utilised. To successfully do so, engagement with members, staff and residents is undertaken; the recommendations in this report relate to this endeavour and act as a pre-cursor to budget proposals, scheduled to be considered by Full Council on 27 February 2023, following the schedule of activity shown in Appendix 4 and 5.
- 1.2 Failure to set a lawful budget in time may lead to a loss of revenue, significant additional administrative costs, as well as reputational damage. Failure to set a budget may lead to intervention from the Secretary of State under section 15 the Local Government Act 1999.
- 1.3 The scale of the financial challenge that the Council faces cannot be overstated. Setting a budget, especially in the context of largely uncontrollable, macro-economic pressures, emerging at an unprecedented pace, requires difficult decisions to ensure that a balanced position can be presented. Regular Member engagement on the process, which this report forms part of, is considered essential for effective budget formulation.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 A report does not have to be provided to the Committee to outline activity at this stage, however it is considered appropriate to do so in order to ensure that the Committee has up-to-date information in respect of the financial context that the Council is operating within and set out the budget setting stages that are expected to follow, in order that the Committee can comment accordingly.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The Policy & Resources Committee is responsible for co-ordinating processes for the development of the Budget and Policy Framework, together with decision-making on cross-cutting policies not part of the Policy Framework. The Policy and Service Committees are responsible for those services being delivered under their operational headings within their annual budget envelope. 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.
- 3.2 The Senior Leadership Team (SLT) has met regularly to discuss the budget setting process, budget proposals, the budget gap that the Council faces and the associated uncertainty on funding. Member engagement in the process has taken place through Budget Workshops along with the presentation on Committee reports.

- 3.3 The Budget workshops were convened to enable officer and member liaison on proposed budget options, in order to facilitate discussion and allow direction to be obtained on further analysis required. The Budget Workshops also provided an opportunity for alternative proposals to be considered.
- 3.4 The outcomes of these workshops are to be reported to meetings of those committees and will in turn be communicated to the Policy & Resources Committee as part of the decision-making process that facilitates a budget proposal to Full Council.
- 3.5 Appendix 2 to this report details the feedback and outcomes from the Budget Workshops in the Summer of 2022 to consider tranche one options. Appendix 3 to the report details the feedback and outcomes from the Budget Workshops held throughout October and November 2022 to consider options the address the further tranche 2 savings noted as required as a result of the national macroeconomic pressures the Council is facing.
- 3.5 At the Policy and Resources Committee on 5 October 2022, a potential budget gap of £49m for 2023/24 was presented. Members will be aware that the budget gap is an ever-moving target due to a number of factors; these include:
- Ongoing Government announcements of funding, including specifically the Chancellor's Autumn Statement and the Provisional Local Government Financial Settlement for 2023/24.
  - A process of challenge and refinement within the Council to ensure that the proposals are evidence based.
  - Addition of new pressures that continue to materialise as further local and national evidence comes to light.
  - The continuing refinement of budget assumptions including inflation.
  - The development and refinement of budget options.
- 3.6 As a result of these factors, the budget forecast presented in October 2022 was updated and a more robust position is now available (the most recent budget update report presented to the Policy & Resources Committee can be found in Appendix 1). This position - which was an estimated budget gap in December of £38.4m - has been noted as £32.3m after application of the Provisional Finance Settlement information. This represents the Budget shortfall as of the date of the report and represents the target which needs to be offset with efficiencies, savings and cost reductions to deliver a balanced position.
- 3.7 The impact of all these changes will be considered, along with feedback from the consultation process and the budget proposals developed through the Service Committee and Policy & Resources Committee (P&R) Budget Workshop approach to present a robust position on financial matters to be considered in formulating a budget proposal to Full Council.
- 3.8 Policy & Resources Committee budget recommendations will be proposed in February 2023 in respect of the agreement of the annual Budget, setting of the council tax requirement and related matters to the Council, which will be debated by Full Council and voted upon by a simple majority.

3.9 Given the current size of the budget shortfall, the current level/breadth of services provided by the Council is not considered feasible and viable for continuance, hence the requirement to consider a number of potential budget options to ensure this gap can be closed.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 This report provides the Committee with an update on recent budget setting activity and describes the context in which the budget for 2023/24 is being set, where a prudent approach is being undertaken to develop budget proposals amidst an uncertain financial landscape.

4.2 The programme to develop a robust budget position, of which this report is a part, will support the Council in demonstrating compliance with CIPFA's Financial Management (FM) Code, specifically in relation to Section 4 of the FM Code which refers to the Annual Budget.

4.3 The FM Code requires the Council to demonstrate that the processes used 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, which 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 and are mainstreamed into financial management, including political scrutiny and the results of external audit, Internal Audit and inspection.
- Sustainability: issues around sustainability of local services are 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 and the budget options presented have been drawn up with this in mind; consideration is given to areas of discretionary expenditure that could be curtailed along with demonstrating savings that can be delivered from statutory components of the Council.

#### **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 to recommend to the Council.

- 5.2 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.
- 5.3 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11<sup>th</sup> March in the financial year preceding the one in respect of which the budget is set.
- 5.4 The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- 5.5 When considering options, Members must bear in mind their fiduciary duty to the council taxpayers of Wirral. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.
- 5.6 Where a service is provided pursuant to a statutory duty, it would be unlawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.
- 5.7 The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 5.8 There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision.
- 5.9 The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 5.10 Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to the Policy and Services Committees when considering decisions.
- 5.11 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.

- 5.12 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that agreed savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 The implications for staffing, ICT and Assets are complicit with individual savings proposals. Until decisions are taken in forming the final set of proposals to balance the 2023/24 Budget the overall impact is not able to be defined precisely.

## **7.0 RELEVANT RISKS**

- 7.1 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. Examples of which are the significant emerging inflationary and cost of living pressures, new legislation, increased demand, loss of income, increased funding, decreased funding, inability to recruit to posts, ongoing impact of the pandemic etc
- 7.2 A robust monitoring and management process for the 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.
- 7.3 The risk of this not being able to be achieved could mean that the Council does not have enough funding to offset its expenditure commitments for the year and therefore not be able report a balanced budget at the end of the year. This could result in the Section 151 Officer issuing a Section 114 notice.
- 7.4 A key risk to the Council's financial plans is that funding and demand assumptions in particular can change as more information becomes available. As such, the MTFP is regularly reviewed and updated as part of routine financial management.
- 7.5 A balanced MTFP 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 2023/24 budget at risk and may result in a balanced budget not being identified in time for the deadline of 11 March 2023.
- 7.7 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 CSR, additional savings proposals or reduced expenditure would need to be identified as soon as possible to ensure a balanced five-year MTFP can be achieved. Committees will be kept updated with any announcements regarding the CSR through the year.

- 7.8 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 Consultation has been carried out with the Senior Leadership Team (SLT) in arriving at the governance process for the 2023/24 budget setting process. SLT have overseen the production of the budget scenarios laid out in this report.
- 8.2 Engagement with local residents and businesses has been undertaken as part of the budget setting process. The outcome of this consultation for Leisure and Library Services is included at Appendices 4 and 5 and will be presented to Policy and Resources Committee on 15 February 2023, alongside the outcomes of the other service-specific consultations.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 At this time, there are no further equality implications as these have already been identified for the proposals agreed and submitted. However, where the budget is unbalanced and further proposals are required, then there may be equality implications associated with these, and these will be addressed within the relevant business cases presented to the Committee.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

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

## **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**

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**APPENDICES**

- APPENDIX 1 - POLICY & RESOURCES COMMITTEE BUDGET REPORT JAN 23
- APPENDIX 2 – TRANCHE 1 BUDGET WORKSHOP FEEDBACK AND OUTCOMES
- APPENDIX 3 – TRANCHE 2 BUDGET WORKSHOP FEEDBACK AND OUTCOMES
- APPENDIX 4 – OUTCOME OF THE PUBLIC CONSULTATION IN LEISURE SERVICES
- APPENDIX 5 - OUTCOME OF THE PUBLIC CONSULTATION IN LIBRARY SERVICES

**BACKGROUND PAPERS**

CIPFA’s Financial Management Code  
The Annual Audit Letter for Wirral Council 2019-20

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Policy and Resources Committee</b>	<b>18 January 2023</b>
<b>Policy and Resources Committee</b>	<b>9 November 2022</b>
<b>Policy and Resources Committee</b>	<b>5 October 2022</b>
<b>Policy and Resources Committee</b>	<b>13 July 2022</b>



<b>Policy and Resources Committee</b>	<b>16 March 2022</b>
<b>Full Council</b>	<b>28 February 2022</b>
<b>Policy and Resources Committee</b>	<b>15 February 2022</b>





