

Appendix 7 Medium Term Financial Strategy

Medium Term Financial Strategy

2023/24 to 2027/28

Wirral Metropolitan Borough Council



Finance Directorate

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Introduction

The Medium-Term Financial Strategy (MTFS) is a key document in the Council's financial planning cycle. This document sets out the strategic financial approach that the Council will adopt in supporting delivery of the Wirral Plan and the matrix of other strategies and plans that support delivery of the improvements that the Borough is clearly expecting. The MTFS and accompanying appendices to the Budget Report 2023/24 explain how the Council will distribute its resources in this endeavour over the next five years. In order to deliver the Wirral Plan the Council will need to operate carefully within specific quantitative financial targets. These targets manifest themselves as budget limits within which the Council must deliver its services over the period of the MTFS. There will be no room for overspends on the future journey and the Council needs to refresh its approach to operate highly disciplined financial management activities. By doing so, the Council will enhance prospects of attaining the far reaching improvements to which its residents rightly aspire.

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The MTFS - Form and Purpose

1. The purpose of the MTFS is to set down the approaches that will be used by the Council in assembling, organising and deploying its financial resources to deliver the improvements described in the Wirral Plan (Annex 1) and the matrix of supporting plans and strategies to deliver that overarching endeavour.
2. The MTFS contains a Medium Term Financial Plan (MTFP) which sets out the planning assumptions and financial limits formed by the relevant funding constraints. The MTFP appears at Annex 4.
3. The MTFS sets out the Guiding Principles which the Council has used and will continue to use in seeking to obtain financial balance in the medium term as well as specific programmes and other initiatives that will be developed on the journey.
4. This being so the MTFS (and accompanying MTFP) provide a framework within which the annual Budget can be set by Council. Accordingly, these documents are to be seen as a dynamic part of the Council's financial operations.

Strategic Goals

5. The MTFS has the following strategic goals:
 - a. To provide a framework within which the Council is able to achieve a series of balanced budgets in the medium term.
 - b. By so doing to deliver financial sustainability in the short, medium and long term.
 - c. To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government sector and to apply these rigorously; and
 - d. To provide a structure within which the Wirral Plan and supporting strategies and plans can be delivered successfully.

The Guiding Principles

6. In undertaking its financial operations over the period of the MTFS the Council has adopted the following Guiding Principles ('The Principles'). The Principles are based on sound management and professional practice. They are presented as *Guiding* Principles because there may be occasions where - after careful consideration - the exigencies of strategic or operational management may necessitate from time to time a departure from the Principles.

No.	Guiding Principles
1	Fees & Charges will be reviewed annually and adjusted for inflation, comparability and competitiveness
2	As a compassionate Council, in setting charges, the impact on vulnerable groups will be considered carefully
3	Service level spend will be benchmarked from time to time with a suitable peer group and proposals to align with the benchmark will be brought forward
4	The Council will adopt a policy of Digital First in service delivery
5	A rolling programme of Service Reviews will continue within the timeframe of the MTFS and will be used to ensure that operating models, organisational design and cost footprints are subject to regular review and adjustment across the Council
6	Service developments, savings and investment will be brought forward on the basis of business cases that must demonstrate feasibility, deliverability and appropriate financial pay back and other investment appraisal techniques
7	The Council will consult with the Borough in forming budget proposals
8	The Council will welcome approaches from regional and other partners for joint working and joint management initiatives
9	The Council will seek to rebuild its Earmarked Reserves over the period of the MTFS and to set Unearmarked Reserves at a level of 5% of Net Expenditure by 2025/26
10	Given the financial position of the Council and the need to maintain key statutory services the Council will seek to maximise receipts from all funding streams including Council Tax over the period of the MTFS

The National Financial Background

7. The National economy is being driven by international economic events not least the impact of the war in Ukraine, ongoing issues with international supply chains and the ongoing impact of the Pandemic. One of the key issues that has emerged is the emergence of high levels of inflation in energy markets which has caused very significant inflationary pressures in wholesale and retail markets across a range of goods and services; naturally these pressures have also related to increases in labour costs. The resulting inflationary pressure has not been seen in the UK economy since the very high levels experienced during the late 1970's and early 1980's.
8. This means that - alongside households, commercial organisations and public sector organisations of all kinds - Local Government is experiencing price increases in the region of 10% in many goods and services. In recent years Local Government has received a much higher proportion of funding from local rather than national sources as has historically been the case. It follows that Government has inherited a position where it no longer has the appropriate levers or – following the support afforded to communities and businesses through the Pandemic – the resources to meet the inflationary pressure in the cost of service delivery. The result is that much of the financial pressure has been left for local councils to manage and this has resulted in a call for largescale savings across the Local Government sector.

The Financial Background: Wirral

The Pandemic and Social Changes

9. The ongoing impact of the Pandemic has resulted in a number of issues which imbue additional costs for local authority budgets. Examples include - but are not confined to - higher waste collection and disposal costs, additional numbers of children in local authority care and reduced car parking income. Although some of these effects are expected to revert to former levels the evident financial pressures are expected to continue into the medium term. This is the case in Wirral as for other councils.

Council Tax

10. As a response to the inflationary pressures in the economy the Government has raised the referendum threshold for Council Tax & Adult Social Care Precept increases to an overall total of 5% for 2023/24, from 3% for 2022/23. The Budget Report 2023/24 recommends a Council Tax increase of 4.99% in that year and a similar policy of setting the Council Tax at the statutory maximum is applied throughout the period of the MTFs. This is because to do otherwise

would imperil the Council's ability to sustain statutory services at the level required.

National Non-Domestic Rates (NNDR)

11. The Government has for some years been considering reform of the NNDR system amid concerns from the business sector that the Rate imposes an unwarranted burden on the commercial sector. To this point no firm proposals have been brought forward by Government and so the MTFP uses the existing methodology to forecast the yield in the forward period of the Plan. In addition, for Wirral, the continued existence of the NNDR Pool to which the Council presently belongs beyond 2023/24 is assumed at this time.

The Capital Programme

12. The Budget shortfall that has been addressed within the Draft Budget for 2023/24 has entailed that on the basis of cost avoidance significant deferrals of Capital items have been required at a revenue saving of £0.7m in 2023/24 and higher figures in years following. Further to this, no additional items of programming have been added to the programme to imply additional expenditure in 2023/24 unless they are funded from resources external to the Council. This means that external borrowing has been minimised and that new schemes depend on external grant or other contributions.
13. External borrowing will be considered where proposals return a measurable revenue saving; however, no such schemes have been identified for 2023/24. During the period of the MTFP, capital receipts, when generated – will be used to repay the loans taken following the two capitalisation directives. This reflects the expectations of external stakeholders and financial prudence because it will reduce pressure on the revenue resources of the Council.

Reserves

14. In previous years the Council has in a measured way used significant contributions from Reserves to support service delivery. As a result, the level of Reserves has significantly reduced. At the closure of the 2023/24 Financial Year the Council's *Earmarked* Reserves are expected to have reduced from £97m at 1 April 2022 to £33.1m at 31 March 2024; of this figure just £5.1m will relate to sums that could be deployed to deal with an acute financial exigency. For this reason, the Council will seek to re-build its Earmarked Reserves over the period of this MTFP. A table showing the overall position for Reserves appears at Annex 3 to this document.

15. The Council's *Unearmarked Reserves* (sometimes referred to as 'General Balances') which are expected to be £13.1m at 31 March 2024 do not presently reflect the sector standard of 5% of Net Expenditure. The target of £18m is expected to be reached in Financial Year 2025/26 following additional contributions of £2.5m in each of 2024/25 and 2025/26.

The Finance Settlement 2023/24

16. The Provisional Local Government Finance Settlement was published on 19 December 2022 and will become Final in February 2023. The Settlement provided a level of additional resources to the Council and in addition the prospect of increasing both Council Tax and the Adult Social Care Precept following an increase to the cap at which a referendum is required from 3% to 5%. This is significantly below the rate of inflation in the UK economy at the present time (CPI c. 10% at the date of this report).

17. The additional net resources provided by the Settlement - in the sum of £6.3m - are insufficient to bridge the budget shortfall of £49m (gross) and (32.3m (net) identified by the Council as part of its financial planning process. The additional increases now approved by Government in Council Tax and Adult Social Care Precept to a possible total of 4.99% (if agreed by Council) return an additional £3.3m to the Council against previous planning assumptions. It follows that savings of £28.44m are needed to balance the Budget for 2023/24 and the Budget Report on this agenda explains proposals in respect of these savings.

18. Further additional resources in respect of Adult Social Care have been provided in the Settlement but these either come with additional responsibilities and cost pressures or were already built into the Council's planning assumptions. Details of these items and other aspects of the Finance Settlement appear in Annex 2 to this document.

Horizon Scanning

19. The next twelve months will see a further period of significant challenge for the public sector finances, making it more important than ever for the Council to stabilise the corporate financial position, to evolve suitable responses to these challenges whilst continuing to deliver the priorities set down in the Wirral Plan.

20. In the medium term, up to 2026/27, the challenges already defined will have a continued presence in the Council's operating environment; high inflation and economic dissonance are therefore expected to continue although in line with national forecasts the impact is expected to moderate over that medium term. That said, the Council needs to be

mindful that there is a level of fragility in economic forecasting which is critically related to the course of the war in Ukraine and other factors beyond the control of the UK Government.

The Medium Term Financial Plan

21. The Council's MTFP 2023/24 to 2027/28 is shown in Table 1 below. The MTFP is the product of (a) detailed technical analysis (b) detailed discussion with the Directorates and their respective management teams regarding the pressures identified and (c) further engagement to assist the Directorates to identify savings to bridge the Budget shortfall identified.

Table 1: Medium term Financial Plan 2023/24 to 2027/28

Financial Years	23-24 (£m)	24-25 (£m)	25-26 (£m)	26-27 (£m)	27-28 (£m)
Budget Requirement	330.58	366.47	380.49	394.88	409.88
Removal of one-off items	-2.69	0.20	0.03	0.00	0.00
Pressures	67.01	22.41	17.24	24.69	14.86
Savings	-28.44	3.73	-0.11	-0.14	0.00
Revised Budget Requirement	366.47	392.81	397.65	419.43	424.74
Funding	366.47	380.49	394.88	409.88	414.32
Annual Shortfall (+)/ Surplus (-)	0.00	12.32	2.77	9.55	10.42
Cumulative Shortfall (+)/ Surplus (-)	0.00	12.32	15.09	24.64	35.06

[Outturn Prices]

22. In preparing to balance the 2023/24 Budget the Council produced an initial forecast shortfall of £14m which was revised to £49m following the emergence of the acute inflationary pressures discussed elsewhere in this document. Further review and refinement enabled the shortfall to be re-estimated at £38.4m before the Local Government Finance Settlement on 19 December and £32m after the betterment from the Settlement had been taken into account. This net shortfall is proposed to be bridged by a Council Tax rise of 4.99% (worth £3.3m against previous MTFP assumptions) with further savings of £28.44m to achieve balance.

23. The Budget report of which this document is an appendix sets out proposals for Full Council to balance the Budget in 2023/24 and those proposals form the basis of the figures for 2023/24 in Table 1.

24. The MTFP will continue to be updated on a rolling basis from this point forward and will be reported quarterly to Policy and Resources Committee as part of the normal governance cycle. This will enable the Committee to receive regular briefing on observed changes to the forecast shortfalls or surpluses that are from time to time observed.

25. It will be noticed that the overall position moderates in 2024/25 compared with 2023/24. This is because the portfolio of savings proposed to be taken in 2023/24 is overwhelmingly recurring rather than one off in character. This means that the impact of the savings taken recurs in subsequent years and assists in offsetting pressures in those years. Accordingly, the budget shortfall in 2024/25 is currently forecast to be £12.3m at the present time. Work on bridging this shortfall will commence shortly to inform the budget setting process for 2024/25.

Risk

26. The Council has well structured arrangements to manage risk with regard to strategic and operational dimensions of its wider operations. The principal risks associated with delivery of the Council's services within the financial constraints identified in the MTFs and associated MTFP are set out in Annex 7.

Summary

27. This document has set out the MTFs and the embedded MTFP and the acceptance and application of these documents can be summarised as follows:

- a. The Council has adopted a set of Guiding Principles which will assist in shaping responses to future budget shortfalls.
- b. The Council is aware of the financial pressures that bear on the 2023/24 Budget and beyond and has understood the issues that this presents.
- c. The Council is preparing to implement a set of revised financial monitoring arrangements on the back of the impending ERP implementation of new tools embedded in the Enterprise Resource Planning (ERP) System based on ORACLE Fusion Cloud solutions.
- d. The Council has taken effective action to identify a portfolio of savings in order to balance the 2023/24 Budget and has prepared a Draft Budget on this agenda which allows for the continuation of statutory services across the Borough.
- e. The Council has taken steps to defer certain capital programming to contribute to the balancing of the Budget in 2023/24.
- f. It will be key across the years of the MTFs for the Council to maximise funding streams including Council Tax and this should

continue – as in previous years – to inform planning assumptions in the MTFS and MTFP.

Annex 1

WIRRAL PLAN 2021 – 2026

EQUITY FOR PEOPLE AND PLACE

To create equity for people and place and opportunities for all to secure best possible future for our residents, communities and businesses.

Brighter Futures	Inclusive Economy	Sustainable Environment	Safe & Pleasant Communities	Active & Healthy Lives
AIMS				
<ul style="list-style-type: none"> Break the cycle of poor outcomes. Reduce educational attainment inequalities. Raise the aspirations of all our children and young people. 	<ul style="list-style-type: none"> Deliver regeneration, transport and growth ambitions. Create Community Wealth/Social Value. Create jobs and support local businesses. Develop quality, affordable and sustainable homes. Prevent and relieve homelessness 	<ul style="list-style-type: none"> Respond to the Climate Change emergency. Protect our cherished local environment. Improve street cleanliness. Support and promote active travel networks. 	<ul style="list-style-type: none"> Work with partner agencies to reduce crime and tackle anti-social behaviour. Tackle rough sleeping and homelessness. Deliver everyday neighbourhood services to the best possible standard. 	<ul style="list-style-type: none"> Work with partner agencies to improve mental wellbeing. Encourage active living. Support people to live independently. Deliver public health services and actions to improve wider determinants of health. Tackle health inequalities.
DELIVERABLES				
<ul style="list-style-type: none"> Develop a prevention programme. Deliver the Transformational Partnership Accommodation Strategy. Build the 'early help and intervention' offer. Deliver the School Asset and Sufficiency Strategy. Deliver the SEND Strategy. 	<ul style="list-style-type: none"> Deliver the Local Plan. Deliver the Economic Strategy 2026. Deliver the Birkenhead 2040 Framework. Deliver regeneration enabling strategies. Deliver transport strategies and regen/active travel projects. Deliver the Community Wealth Building Strategy. Deliver the Homelessness Strategy 	<ul style="list-style-type: none"> Deliver the Climate Emergency Action Plan and Cool Wirral 2 Strategy. Progress the major LED replacement scheme. Implementation of major capital infrastructure investment which supports Wirral Highways and Infrastructure. Deliver the Cycling and Walking Programme. 	<ul style="list-style-type: none"> Deliver the DRIVE programme. Begin design of new Neighbourhoods model Deliver the new libraries model and strategy. Deliver new Sports and Physical Activities Strategy. Deliver the Community Safety Strategy. Ensure Culture and Learning is embedded in the heart of communities. 	<ul style="list-style-type: none"> Lead the strategic and operational Outbreak Management Plan. Launch the Health Inequalities Strategy. Develop a new leisure offer. Develop a new adult social care model. Deliver against the Prevention programme.
PERFORMANCE MEASURES				
<ul style="list-style-type: none"> Increase in children making expected progress educationally. A closing gap in educational achievement. Increase in children ready for school. Decrease in rate of looked after children in Wirral. Children in Need rate per 10,000 0-17 population. Increased success of the early intervention family programme. 	<ul style="list-style-type: none"> Value of investments secured Hectares of Brownfield Land remediated/ regenerated. Number of jobs created and safeguarded. Claimant Count (reduction) Business Count (increase) No. of affordable homes delivered. Reduction in those living in temporary accommodation. 	<ul style="list-style-type: none"> Increased recycling Reduce the overall collected general waste (non-recycling) per household Increase energy efficiency in Council owned buildings Improved biodiversity, through tree planting, rewilding and natural regeneration. Increase in active travel, including walking and cycling. Improve ratings for our designated nature sites 	<ul style="list-style-type: none"> Decrease in anti-social behaviour Reduction in the number of crimes reported to the police Reduce first time entrants into the Youth Justice System Reduce the incidents of repeat domestic abuse reporting. Increased library usage. 	<ul style="list-style-type: none"> More people are supported to remain independent in their own homes. Care, health and support services are joined up and responsive. Fewer admissions to hospital or long term care. Number of home adaptations completed. Proportion of residents living in suitable housing. Increase in people using Council leisure facilities.
CROSS-CUTTING STRATEGIES AND STRATEGIC PROGRAMMES				
<ol style="list-style-type: none"> Wirral Local Plan 2020 – 2037 Health Inequalities Strategy Healthy Wirral Plan Prevention Programme Community Wealth Building Strategy 	<ol style="list-style-type: none"> Economic Strategy Affordable Housing Plan Homelessness Strategy and Rough Sleeping Plan Active Travel Strategy Neighbourhoods Model 	<ol style="list-style-type: none"> Climate Emergency Plan Digital Strategy Community Safety Strategy 		

Local Government Finance Settlement 2023/24

1.0 EXECUTIVE SUMMARY

- 1.1 This briefing note outlines the government's announcement and subsequent publications on 19th December 2022 concerning the Local Government Finance Settlement 2023/24 and gives an analysis on the impact on Wirral Council's Medium-Term Financial Plan (MTFP), although as noted below all data is provisional at this stage.
- 1.2 The Local Government Finance Settlement gives a net betterment position of £6.28m compared to previous assumptions in the Medium-Term Financial Position (MTFP).
- 1.3 The £6.28m includes £12.30m more than previously assumed in Adult Social Care related ringfenced grants. However, this will bring additional cost pressures of £8.44m.
- 1.4 Despite additional funding in the settlement, additional savings will still be required in order to achieve a balanced budget position for 2023/24.

2.0 BACKGROUND

- 2.1 On 17th November 2022 the government announced The Autumn Statement, alongside the Office for Budget Responsibility's (OBR's) new set of Economic and Fiscal Outlook forecasts. The Autumn Statement responded to the OBR forecasts and set out the medium-term path for public finances and the Government's spending plans for each government department for the next two financial years, including local government.

Following this, on 19th December 2022 the Local Government Finance Settlement 2023/24 was announced, with impacts on Core Spending Power for 2023/24, Social Care Grant allocations as well as other grant details. The settlement was for a single year only based on Spending Review 2021 funding levels updated for the Autumn Statement 2022 announcements.

At the same time, a consultation related to the settlement proposals was launched, which runs for 4 weeks and concludes on 16th January 2023.

3.0 LOCAL GOVERNMENT HEADLINES

3.1 Core Spending Power

Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities (assuming the maximum permitted Council Tax increase is implemented) through the Local Government Finance Settlement.

The headline announcement was that an additional £5 billion of funding would be "made available" to councils, representing a 9.2% cash terms increase, with a minimum increase being guaranteed at 3%.

Despite a 9.2% cash terms increase, the increase in funding does not meet inflation pressures faced by Councils, and therefore represents a real term drop in core spending power.

The main sources of the funding are summarised in the following table:

ENGLAND Funding Source	2022-23*	Provisional 2023-24	Change 23-24	Change 23-24
	<i>£ million</i>	£ million	<i>£ million</i>	<i>%</i>
Settlement Funding Assessment	14,882.2	15,671.1	788.9	5.3%
Compensation for the business rates multiplier	1,275.1	2,204.6	929.5	72.9%
Council Tax Requirement	31,922.5	33,838.4	1,915.9	6.0%
Improved Better Care Fund	2,139.8	2,139.8	0	0
New Homes Bonus	556.0	290.6	-265.4	-47.7%
Rural Services Delivery Grant	85.0	85.0	0	0
Social Care Grant	2,346.4	3,852.0	1,505.6	64.2%
Services Grant	822.0	464.2	-357.8	-45.5%
Market sustainability and FCC (and improvement)	162.0	562.0	400	246.9%
ASC Discharge Funding	0	300.0	300	100%
Lower Tier Services Grant	111.0	0	-111	-100%
Rolled in grants	238.6	0	-238.6	-100%
Minimum Funding Guarantee	0	136.0	136	100%
Core Spending Power	<i>54,540.5</i>	59,543.8	5,003.2	9.2%

3.2 Council Tax

The Council Tax proposals set out in the Autumn Statement in November were confirmed as part of the settlement. The proposal for core Council Tax in 2023/24 is a referendum cap of up to 3% (previously 2%).

There is also the flexibility to add up to a further 2% adult social care precept for authorities providing adult social care services.

3.3 Improved Better Care Fund

Improved Better Care fund is unchanged in cash terms for all upper tier councils, with distribution also unchanged.

3.4 Social Care Grant

Social Care Grant will increase by £2,044.6m in 2023/24, with the additional amounts allocated as follows:

- £1,505.6m of additional grant funding.
- However, £161m of that is the rolling in of the Independent Living Fund.

- £400m for additional Improvement funding added to Market Sustainability grant.
- £300m for ringfenced Adult Social Care Discharge funding.

Allocations are related to the Adult Social Care needs formula with recognition of Social Care Council Tax precept and to previous market sustainability funding allocations. More detail will follow on additional reporting requirements, and the better care fund and discharge funding must be pooled with local health boards.

3.5 **Lower Tier Services Grant**

Introduced in 2021/22, the Lower Tier Services Grant will cease and therefore not be distributed to Local Authorities in 2023/24. The funding for this grant will instead be used to support the guaranteed 3% increase in Core Spending Power.

3.6 **New Homes Bonus**

The government has decided to maintain the current approach to the NHB payments in 2022/23. There will be no legacy (i.e., second) payment of New Homes Bonus, with the value previously representing legacy payments instead being used to support the 3% CSP increase referred to in paragraph 3.1.

This results in a £265m (48%) reduction in the overall grant for 2023/24.

3.7 **Services Grant**

The overall value of this grant, first introduced in 2022/23, has reduced from £822m to £464m partly due to the removal of the National Insurance Levy which this grant previously included support for. The reduced amount will instead be used to enhance the Supporting Families Grant and to partially fund a contingency provision.

3.8 **Public Health Grant**

Information on the Public Health grant is not yet available and is expected in the new year.

3.9 **Market Sustainability and Improvement Fund**

This new grant totalling £562m includes £162m from the former Market Sustainability and Fair Cost of Care Fund, with the additional £400m intended to support Local Authorities in making tangible improvements to adult social care and in particular to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector.

3.10 **ASC Discharge Fund**

This is a new £300m grant for 2023/24 and is intended to form part of Better Care Fund plans. It is aimed at reducing delayed transfers of care and has been allocated based on the improved Better Care Fund shares in used in 2023/24.

3.11 **Minimum Funding Guarantee**

A new funding stream will be distributed in 2023/24 to replace Lower Tier Services grant and is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% before Council Tax decisions. The total funding for this grant is £136m.

3.12 **Funding Reform**

Government has confirmed that reforms to local government funding through the Relative Review of Needs and Resources, as well as the reset of accumulated business rates growth have both been paused for the remainder of this Spending Review period, but they are “committed to improving the local government finance landscape in the next Parliament”.

4.0 **WIRRAL COUNCIL IMPACT**

4.1 **Council Tax**

Previous assumptions have been that a 2% Core increase and a 1% Social Care Precept would be applied. The confirmation of the 3% core referendum principal means a potential increase in Council Tax income of approximately £1.65m.

Similarly, an additional 1% Council Tax precept for Adult Social Care would generate an additional £1.65m. Both these figures are subject to confirmation of the Council Tax Base figure for 2023/24, which is due to be reported to Policy and Resources in January 2023.

Should these increases not be fully implemented, alternative savings of £3.3m will need to be found.

4.2 **Social Care Grant**

Provisional allocations of the ringfenced Social Care Grant indicate that Wirral will receive £32.14m in 2023/24, which is an increase of £5.38m (including the Independent Living Fund) compared with previous 2023/24 assumptions included in the £38.4m budget gap.

However, as the Independent Living Fund has been rolled into the Social Care Grant there is a corresponding £1.52m pressure due to the removal of the grant from the revenue budget.

The net impact is therefore a £3.86m improvement on the MTFP.

4.3 **Lower Tier Services Grant**

With confirmation being received that this grant will cease after 2022/23, this constitutes a £0.52m reduction in funding for Wirral from 2022/23 budget and previous 2023/24 assumptions.

4.4 **New Homes Bonus**

It had previously been unsure if New Homes Bonus would continue after 2022/23, or if it would be distributed with the same methodology, and a reduction from the 2022/23 budget had therefore been assumed.

However, confirmation that the current New Homes Bonus approach would continue, and provisional allocations indicate Wirral will receive £0.44m in 2023/24, an increase of £0.14m against previous assumptions.

4.5 **Services Grant**

Previous forecasts had assumed a reduction of Services grant due to the removal of the National Insurance Levy. However, provisional allocations indicate Wirral will receive £3.16m for this grant, which is £0.75m less than anticipated.

4.6 **Market Sustainability and Improvement Fund**

Provisional allocations allocate £4.22m of this fund to Wirral for 2023/24, which wasn't included in previous assumptions. However, although detailed conditions for this grant are not expected until early in 2023, at this stage it is assumed that this grant will be ringfenced and met with subsequent cost pressures and is therefore not an improvement to the overall budget position.

4.7 **ASC Discharge Grant**

This new grant will form part of Better Care Fund plans and Wirral has been allocated £2.7m for 2023/24. This will be met by corresponding cost pressures and therefore does not impact the budget position.

4.8 **Business Rates 100% Retention Pilot**

The settlement confirmed that the 100% Business Rates Retention pilot that Wirral participates in alongside Liverpool City Region authorities will continue in 2023/24 and will therefore continue to benefit from the resulting increased level of Business Rates receipts for another year. This was already budgeted for in the MTFP. This is positive news as Wirral benefits by approximately £7m per year as a result of participating in the pilot.

Government will review the role of such arrangements as a source of income for areas and its impact on local economic growth, and as part of deeper devolution commitments as set out in the Levelling Up White Paper.

4.9 **Business Rates Top-up**

The latest assumptions were that the Business Rates Top-up would increase by 5% to £55.69m. Settlement confirms Wirral's 2023/24 allocation as £59.24m which is a 9.1% increase from 2022/23. This is an improvement of £3.55m and constitutes the following:

- 10.1% increase based on September 2022 CPI.
- An adjustment for the impact on Business Rates of the Revaluation 2023.

4.10 **MTFP Assumptions Comparison**

In total, the provisional impact of the Local Government Finance Settlement on Wirral's MTFP is an improvement of £6.28m, not including the potential further Council Tax

increases referenced in paragraph 4.1. The following table summarises the impact of the provisional Local Government Finance Settlement on Wirral Council's MTFP:

	2022/23 Budget £m	2023/24		
		MTFP assumption (£38.4m gap)	Provisional settlement	MTFP Impact
		£m	£m	£m
Business Rates Top-Up	(54.29)	(55.69)	(59.24)	(3.55)
New Homes Bonus	(0.44)	(0.30)	(0.44)	(0.14)
Social Care Grant	(19.77)	(26.77)	(32.15)	(5.38)*
Lower Tier Funding	(0.52)	(0.52)	0.00	0.52
2022/23 Services Grant	(5.62)	(3.91)	(3.16)	0.75
Market Sustainability & Improvement Fund	0.00	0.00	(4.22)	(4.22)*
ASC Discharge Fund	0.00	0.00	(2.70)	(2.70)*
Funding impact of LGFS measures				(14.72)
Corresponding pressures:				
Independent Living Fund removal			1.52	
Market Sustainability & Improvement Fund			4.22	
Discharge Fund			2.70	
Additional cost pressures				8.44
Total provisional 2023/24 MTFS impact				(6.28)
<i>* Additional Adult Social Care related ringfenced grants</i>				<i>(12.30)</i>

5.0 CONCLUSION

- 5.1 The settlement as described in this briefing is provisional until 8th February 2023 and as such the position outlined above is subject to change although any changes are expected to be minor.
- 5.2 It is important to remember that the government have only impacted a single -year settlement and the additional resources for 2023/24 only provide limited and short-term certainty while creating uncertainty for longer term financial planning.

Summary of Earmarked and Unearmarked Reserves 1 April 2022 to 1 April 2024

Opening Balance 1 April 22	97,186
Forecast Use of Reserve	-44,627
Forecast Contribution to Reserve	453
Forecast Closing Balance 31 Mar 23	53,012
Forecast Opening Balance 1 April 23	53,012
Forecast Use of Reserve	
<u>Movements to support the 2023-24 budget</u>	
Business Rates Equalisation Reserve	-7,000
Insurance Fund	-1,000
Public Health Ringfenced Grant	-3,000
Local Council Tax Support Grant	-2,426
Digital Transformation	-1,566
Social Care Fund	-967
Resettlement Programme Grant	-740
Regeneration and Inward Investment	-665
SEND OFSTED Inspection Improvement Action Plan	-627
Domestic Abuse Bill Grant	-602
Wirral Ways to Work	-496
Other	-871
Sub Total	-19,960
Forecast Contribution to Reserve	31
Forecast Closing Balance 31 Mar 24	33,083
<u>Deduct Inaccessible Reserves</u>	
Schools Balances	-16,307
Insurance Fund	-6,272
Public Health Ringfenced Grant	-3,052
Selective Licensing	-1,347
Enterprise Zone Investment	-643
Schools Capital	-256
Taxi, Marriage & Scrap Metal Licences	-106
Sub Total	-27,983
Remaining Balance	5,100

Annex 4

Medium Term Financial Plan 2023/24 to 2027/28 (*Outturn Prices*)

Financial Years	23-24 (£m)	24-25 (£m)	25-26 (£m)	26-27 (£m)	27-28 (£m)
BUDGET REQUIREMENT	330.58	366.47	380.49	394.88	409.88
Removal of one-off items:					
Adult Care & Health	0.00	0.00	0.00	0.00	0.00
Chief Executive Office	0.00	0.00	0.00	0.00	0.00
Children, Families & Education	0.47	0.00	0.00	0.00	0.00
Law & Governance	0.00	0.20	0.00	0.00	0.00
Neighbourhood Services	-0.85	0.00	0.03	0.00	0.00
Regeneration & Place	0.00	0.00	0.00	0.00	0.00
Resources	-2.31	0.00	0.00	0.00	0.00
Corporate	0.00	0.00	0.00	0.00	0.00
Total Removal of one-off items:	-2.69	0.20	0.03	0.00	0.00
Pressures:					
Adult Care & Health	22.37	5.50	7.36	11.20	4.55
Chief Executive Office	0.05	0.00	0.00	0.00	0.00
Children, Families & Education	10.50	4.71	3.46	3.66	3.88
Law & Governance	0.15	0.00	0.00	0.00	0.00
Neighbourhood Services	5.78	1.04	1.05	1.03	1.01
Regeneration & Place	2.24	0.05	0.00	0.00	0.00
Resources	3.25	2.01	1.27	7.11	1.02
Corporate	22.68	9.10	4.10	1.70	4.40
Total Pressures	67.01	22.41	17.24	24.69	14.86
Savings:					
Adult Care & Health	-6.47	0.00	0.00	0.00	0.00
Chief Executive Office	-0.16	0.00	0.00	0.00	0.00
Children, Families & Education	-5.89	-0.33	0.00	0.00	0.00
Law & Governance	-0.21	0.00	0.00	0.00	0.00
Neighbourhood Services	-2.76	-0.04	-0.11	-0.14	0.00
Regeneration & Place	-3.25	0.80	0.00	0.00	0.00
Resources	-6.65	4.00	0.00	0.00	0.00
Corporate	-3.06	-0.70	0.00	0.00	0.00
Total Savings	-28.44	3.73	-0.11	-0.14	0.00
REVISED BUDGET REQUIRMENT	366.47	392.81	397.65	419.43	424.74
FUNDING	-366.47	-380.49	-394.88	-409.88	-414.32
Annual Shortfall (+)/ Surplus (-)	0.00	12.32	2.77	9.55	10.42
Cumulative Shortfall (+)/ Surplus (-)	0.00	12.32	15.09	24.64	35.06

Budget 2022/23 (Outturn Prices)

Directorate	Budget £000
Adult Social care & Health	114,962
Chief Executive's Office	1,786
Children, Families & Education	79,234
Law & Governance	5,821
Neighbourhoods Services	46,189
Regeneration & Place	37,688
Resources	44,900
Total Net Budget	330,580

Draft Budget 2023/24

	Adult Care & Health	Chief Executive Office	Children, Families & Education	Law & Governance	Neighbourhood Services	Regeneration & Place	Resources	Strategic Holding Account	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
2022/23 Budget	114.96	1.79	79.23	5.82	46.19	37.69	44.90	0	330.58
Removal of 22/23 one-off	0.00	0.00	0.47	0.00	-0.85	0.00	-2.31	0.00	-2.69
<u>Pressures</u>									
Demographic	2.55	0.00	1.17	0.00	0.00	0.00	0.00	1.50	5.22
Inflationary	11.26	0.02	8.57	0.09	3.28	1.04	0.43	15.69	40.39
Other	8.56	0.03	0.76	0.06	2.50	1.20	2.82	0.01	15.93
Contingency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.48	5.48
Total Pressures	22.37	0.05	10.50	0.15	5.78	2.24	3.25	22.68	67.01
<u>Savings</u>									
Increasing Business Efficiencies	-0.53	-0.16	-4.03	-0.21	-1.74	-2.66	-5.45	-3.06	-17.84
Increasing Income	0.00	0.00	0.00	0.00	-0.44	-0.36	-1.20	0.00	-2.00
Changing how we fund or provide services	-5.94	0.00	-1.86	0.00	-0.58	-0.23	0.00	0.00	-8.60
Total Savings	-6.47	-0.16	-5.89	-0.21	-2.76	-3.25	-6.65	-3.06	-28.44
2023/24 Balanced Budget	130.86	1.67	84.32	5.76	48.36	36.68	39.19	19.62	366.47

Principal Financial Risks to Delivery of the MTFS (and embedded MTFP)

Risk	Mitigation
Failure to constrain expenditures within relevant budget targets.	The Council is poised to launch revised financial monitoring arrangements following the implementation of an ERP system using Oracle Fusion Cloud solutions.
Failure to prepare for balancing the 2024/25 Budget shortfall.	The Council will be updating the MTFP on a rolling basis henceforward and is commencing a programme of work in February 2023 to prepare savings for 2024/25.
Failure to increase Reserves.	The Council is planning to re-build Earmarked Reserves over the course of the MTFS and to set Unearmarked Reserves at 5% of Net Expenditure by 2025/26.
Failure to replace short and cheap debt as it is retired with fixed rate longer term loans.	The Council is planning to undertake these operations during February 2023.
Failure to deliver savings.	The Council has a strong track record of monitoring & delivering savings in 2022/23 and will combine review of attainment in the revised financial reporting arrangements associated using the new ERP system.
Failure to arrange cover for expected cost increases	Inflation pressures where known or otherwise forecast have been included in the Draft Budget proposals.
Inability to Fund the Capital Programme arising from continued rises in interest rates and higher cost of borrowing.	The Council operates a Treasury Management function guided by a Treasury Management Strategy which seeks to manage risks in a balanced way.