

## **POLICY AND RESOURCES COMMITTEE**

**Wednesday, 4 October 2023**

<b>REPORT TITLE:</b>	<b>BUDGET REPORT</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>

### **REPORT SUMMARY**

The purpose of this report is to provide an update on the budgets within the remit of the Committee and across all the Policy & Service Committees, in respect of the in-year position and the anticipated pressures for future years that are being considered within the Medium Term Financial Plan.

The Council is required to set a balanced budget each year and sets a Medium Term Financial Plan which considers the future pressures and savings options that will be taken forward to result in a balanced budget position.

The Council faces a challenging financial outlook due to inflationary and demand pressures alongside the previous significant reductions in Government funding and uncertainty around the future financial settlements.

This report provides an update for the Committee on those budget areas within its remit and across the Policy & Service Committees, including any forecast overspends reported in the first quarter and potential pressures in both the current and future years.

The Committee is asked to note the report and agree the indicative resources, pressures and required savings.

The report contributes to the Wirral Plan 2021-2026 in supporting the organisation in meeting all Council priorities.

### **RECOMMENDATIONS**

The Policy and Resources committee is recommended to:

1. Note the report.
2. Agree the indicative resources, pressures and required savings detailed in the report.
3. That Policy & Service Committees undertake budget workshops during October to review savings proposals and mitigating actions, with a view to feeding back the outcomes of the workshops to this Committee.
4. The Director with portfolio, in consultation with the Finance Sub-Committee, be authorised 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 2024.

## **1.0 REASONS FOR RECOMMENDATIONS**

- 1.1 Regular monitoring and reporting of the revenue budgets and savings achievements enables decisions to be taken in a timely manner, which may produce revenue benefits and will improve financial control of Wirral Council.

## **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The Policy & Resources Committee has previously determined the budget monitoring process and this report details the agreed course of action.
- 2.2 In striving to manage budgets, available options have been evaluated to maintain a balance between service delivery and a balanced budget.

## **3.0 BACKGROUND INFORMATION**

- 3.1 At the meeting on 27 February 2023, the Council agreed a net revenue budget for 2023/2024 of £366.6m to be met by government grants, council tax, and business rates. At quarter 1, a favourable £2.000m variation against the funding relating to an adjustment of Business Rates Section 31 grants, increased the revenue budget to £368.6m.

### **Quarter 1 Forecast Revenue Outturn Position**

- 3.2 Table 1 presents the forecast outturn as a net position, i.e. expenditure minus income. Favourable variances (underspends) are shown as negative values and adverse variances (overspends) are shown as a positive value.
- 3.3 At the end of Quarter 1, there is a Directorate forecast adverse variance of £3.618m against the Council's revised net revenue budget of £368.600m, which is equivalent to a variance of 1% from the annual budget.

**TABLE 1: 2023/24 REVENUE BUDGET & FORECAST OUTTURN**

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	
			<b>(+ Adv / - Fav)</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Adult Care & Health	130,579	132,807	2,228	2%
Chief Executive Office	1,685	1,685	0	0%
Children, Families & Education	86,397	86,766	369	0%
Finance	7,030	7,030	0	0%
Law & Governance	5,955	5,955	0	0%
Neighbourhoods Services	37,358	39,679	2,321	6%
Regeneration and Place	13,733	14,233	500	4%
Resources	16,773	17,273	500	3%
Levies	41,139	41,139	0	0%
Strategic Holding Account and Corporate Items	27,951	25,651	-2,300	-8%
<b>Net Directorate Expenditure</b>	<b>368,600</b>	<b>372,218</b>	<b>3,618</b>	<b>1%</b>

### Updates in revenue position since Quarter 1

#### Adult Care & Health

3.4 Since reporting the Quarter 1 position to Adult Care and Health Committee on Tuesday, 18 July 2023, there has been no movement in the forecast position. However, there has been a recent announcement from the Department of Health of additional funding to the current market sustainability fund for 2023-24 and 2024-25. This has provided a further £2.7m this year to support adult social care. The funds are to be used in line with current guidance which specifies that improvements to at least one of the three target areas below must be evidenced:

1. Increasing fee rates in the local area
2. Increasing workforce capacity and retention
3. Reducing adult social care waiting times

The full impact of this additional funding will be assessed ahead of the Q2 reporting.

#### Children Families & Education

3.5 Since reporting the Quarter 1 position to the committee, there have been no significant movement in the forecast position and so still expect to be around £0.370m adverse position. In the last month there has been a slight upward move in Children Looked After numbers whilst this is currently mitigated by underspends elsewhere, if this continues this might lead to a change in the position.

### **Neighbourhood Services**

3.6 There are risks linked to additional in year pressures and some potential mitigations within the following areas. These additional pressures and any potential mitigating actions are being explored and will be reported back to Committee in the Q2 monitor report.

- A projected shortfall in income received from developers, which is currently based on income received to date. This is due to a reduction in housing developers commencing construction work because of the current macroeconomic conditions in relation to supply chain costs, inflation, and rising interest rates. However, the position could improve if developers commence work later in the financial year and work is currently being undertaken to maximise income generating opportunities within Highways and infrastructure.
- There is a risk due to a shortfall in enforcement income, as this will not be achieved until the policy is agreed and implemented.
- There are potential pressures within Parks and Environment. These relate to premises and maintenance, water charges, transport maintenance and shortfalls against income targets following COVID-19.
- There is a forecast pressure of around £0.355m which relates to additional demand within community transport.
- Rates rebates for the Williamson Art Gallery; This is backdated to 2017/18 following a successful appeal, after a change in the way rates relating to Museums are calculated. The rates rebate relating to the Williamson Art Gallery of approximately £0.482m will assist in mitigating the projected adverse position within Theatre and Hospitality this year.
- In addition to this, mitigation will be sought from maximising opportunities to capitalise staffing costs, income generation opportunities within Leisure, Parks and Cemeteries and expenditure will be delayed until next financial year where possible. Mitigation will also be sought from staffing vacancies and non-essential expenditure. The Floral Pavilion and Sail Loft are being reviewed to minimise the budget pressures within these areas.

### **Regeneration & Place**

3.7 A number of assets retained as investment purposes will not achieve the anticipated income targets due to surrender or reduction in rents, these primarily centre around the Europa Centre, Birkenhead which includes the unit leased by Wilko's.

Assets which are vacated as part of Directorate savings are being returned with their strategic future uses being fully worked through. The holding costs and high cost items such as security are being met from Asset Management.

A series of invoices relating specifically to Covid activities for FM services across all Directorates have been submitted by the contractor but also covers operational orders for security, cleaning and removals.

These additional pressures and any potential mitigating actions are being explored and will be reported back to Committee in the Q2 monitor report.

### **Progress on delivery of the 2023/24 savings programme.**

- 3.8 Table 2 presents the progress on the delivery of the 2023/24 approved savings. For savings rated as Amber, an equal amount of temporary in-year mitigation has been identified to cover any shortfalls which may occur. For saving rated as red, a bid will need to be made from the contingency fund set up for non-achieved savings at the end of the year.
- 3.9 In terms of savings, £26.280m of the £28.345m savings targets are either delivered or on track to be delivered, representing 93% of the total savings target with a further 7% or £2.065m anticipated to be delivered through alternative means. The table below summarises the progress by Directorate:

**TABLE 2: SUMMARY OF PROGRESS ON DELIVERY OF 2023/24 SAVINGS**

<b>Directorate</b>	<b>Approved Saving £m</b>	<b>Green £m</b>	<b>Amber £m</b>	<b>Red £m</b>	<b>Mitigation £m</b>
Adult Care & Health	-5.935	-5.935	0.000	0.000	0.000
Chief Executive Office	-0.070	-0.052	-0.018	0.000	-0.018
Children, Families & Education	-4.180	-4.180	0.000	0.000	0.000
Finance	-5.200	-5.200	0.000	0.000	0.000
Law & Governance	0.000	0.000	0.000	0.000	0.000
Neighbourhood Services	-1.600	-1.253	-0.347	0.000	-0.347
Regeneration & Place	-2.660	-2.460	-0.200	0.000	-0.200
Resources	-0.160	-0.160	0.000	0.000	0.000
Corporate	-8.540	-7.040	-1.500	0.000	-1.500
<b>TOTAL</b>	<b>-28.345</b>	<b>-26.280</b>	<b>-2.065</b>	<b>0.000</b>	<b>-2.065</b>

### **Updates in savings delivery since Quarter 1.**

- 3.10 There have been no significant updates since Q1.

## **Medium Term Financial Plan**

- 3.11 Following the initial budget challenge sessions with Directors and a review of the early Q2 budget monitoring information a position around the current and future pressures has been ascertained. This represents the best available information at this point in time and forms the baseline for the pressures within the MTFP for current and future years.
- 3.12 This information will be updated periodically as a significant element of the pressures is linked to inflation. Assumptions have been made that inflation will continue to fall between now and the 24/25 financial year and that this will be reflected in pay and contract negotiations for 24/25. The Asset Disposal strategy, agreed at the start of the year, is assumed to repay the Council's capitalisation directives. There remains an ongoing risk that there will be variance within these assumptions that may subsequently need to be managed in year.

## Pressures

- 3.13 Demographic changes have been incorporated within the pressure figures based on the current trend data and the available datasets for Adults and Children's services. It is anticipated given the national pressures within these areas that ongoing work will be required to find efficiencies within service delivery and continue the focus on enablement and early intervention to minimise the impact of these pressures.
- 3.14 An assessment of the in-year budget variances has necessitated the inclusion of pressures to negate existing income targets and some additional funding for service pressures. These amounts have been minimised in recognition of previously agreed savings which are still to be delivered.
- 3.15 The pressures also recognise the one-off funding that was applied to balance the 23/24 budget of £5.6m. It is imperative that these one-off measures are significantly reduced to enable the Council to reach a sustainable budget position. A contribution towards the replenishment of the general reserves has also been targeted in line with previous audit recommendations and good practice.

**TABLE 3: REVISED PRESSURES FORECAST\***

Pressures	Year			
	24-25 £m	25-26 £m	26-27 £m	27-28 £m
Inflation	14.90	14.83	14.69	15.30
Demographics	3.66	4.50	4.64	4.79
Service Pressures	6.53	1.57	1.03	3.01
Policy Changes	0.00	3.26	6.90	0.00
Other / Corporate Items	3.51	1.01	4.61	1.02
In-Year	3.00	0.00	0.00	0.00
Prior year adjustment	5.60	0.00	0.00	0.00
<b>Total</b>	<b>37.20</b>	<b>25.17</b>	<b>31.87</b>	<b>24.12</b>

\*Dedicated School Grant (DSG) deficit due to the High Needs Block demand is not included in table above at this point in time. There is currently a statutory override in place that separates DSG deficits from the authority's wider finances which is due to expire at the end of 2025/26.

- 3.16 The key assumptions include:-
- A minimum 5% inflation increase within social care services.
  - A 4% increase in pay costs
  - A £2m contribution to the general reserves
  - Funding gap for the BCD will be met from the WGC profits in year.

## Funding

- 3.17 The resources available to fund these pressures has also been reviewed, this constitutes the assumptions around Business Rates, Council tax and Government Grants.
- 3.18 The assumptions around business rates have been reviewed. Given that there has been no announcement to date around the ending of the current business rates retention scheme it has been assumed that this will continue for the next three years. This provides a benefit of c.£7m in comparison to the potential impact if the scheme ceased. Inflation has been assumed to be applied to the funding received in the same manner as 22/23.
- 3.19 The potential for Council Tax increases was agreed in the financial settlement for 23/24 and is up to a maximum of 4.99%. This is constituted of 3% for discretionary services and 1.99% specific to adult social care. It is assumed that this will reduce back down to a total of 3% from 25/26 onwards.
- 3.20 The position around grants will not be known until the autumn when the settlement from government is announced. Assumptions have been made around the potential increase in the social care grant along with the announcements that have already been made around the new grants, such as the Market Sustainability Fund.

**TABLE 4: FUNDING CHANGES 2024/25 TO 2027/28**

Summarised Funding	Year				
	23-24 £m	24-25 £m	25-26 £m	26-27 £m	27-28 £m
Business Rates	-135.73	-141.10	-146.24	-151.10	-148.68
Council Tax	-168.63	-177.67	-185.50	-192.16	-199.07
Better Care Fund	-19.24	-19.24	-19.24	-19.24	-19.24
Adult Social Care Precept	-3.27	-3.44	-1.81	-1.87	-1.94
Social Care Grant	-32.14	-38.33	-38.33	-38.33	-38.33
Additional Social Care Grants	-6.91	-8.41	-6.91	-6.91	-6.91
Services Grant	-3.30	-3.30	-3.30	-3.30	-3.30
Other	0.63	0.60	-3.26	-6.90	0.00
<b>Total</b>	<b>-368.60</b>	<b>-390.89</b>	<b>-404.59</b>	<b>-419.81</b>	<b>-417.47</b>
<i>(Increase) / decrease</i>		-22.30	-13.70	-15.22	2.34

- 3.21 The uncertainty around the level of funding that local authorities will receive makes medium and long-term financial planning almost impossible.
- 3.22 There is a growing disparity between the resources available to local government and the demand pressures that the sector faces. The growing demand for social care for both Adults and Children's services cannot be sustained over the MTFP period without either additional funding or the long awaited review of local authority funding.

3.23 The difference between the pressures facing the Council in 2024/25 and the available resources will require a number of difficult decisions to be made around the level of support that can be provided and a continued focus on increasing efficiency and reducing costs. It will require the organisation to shrink overall in terms of the number of people employed and a reorganisation of how some services are provided.

3.24 The overall budget gap is summarised in Table 5.

**TABLE 5: BUDGET GAP 2025/26 TO 2028/29**

	Year			
	24-25 £m	25-26 £m	26-27 £m	27-28 £m
Pressures	37.20	25.17	31.87	24.12
Funding (increase) / decrease	-22.30	-13.70	-15.22	2.34
<b>Gap</b>	14.90	11.47	16.65	26.46
Cumulative Position	14.90	26.37	43.02	69.48

3.25 There are significant risks particularly from 26/27 when the current 3 year pension surplus provision is reversed. This is compounded by assumptions around the potential for business rates retention to end and policy changes around social care to come into force. As it currently stands, these assumptions would likely make it impossible to balance the budget at this point given the low level of reserves that are currently held.

### **Savings**

3.26 There are a number of transformation themes that are designed to deliver savings over the MTFP period.

3.27 The main themes within Children’s Services relate to early intervention and opportunities to work across the city region in relation to high cost / demand services such as Children’s Home placements, fostering and home to school transport. The focus within Adult’s continues to be around enablement and enhancing the offer around alternatives to residential and nursing care, such as extra care housing and reablement services. The service continues to work closely with the Health Services to further develop a place based approach and joined up working. Efficiencies around joint commissioning will be explored as part of the ongoing activities.

3.28 The Neighbourhood Services will focus on efficiency of front line delivery, such as Maintenance Services and the reduction in costs for waste collections and street cleansing when the contract is renewed in 2027. A revised Leisure offer will be brought forward that focuses on increased efficiencies within the delivery model, an investment strategy around the asset base and a focus on a ‘Health First’ approach to delivery.

3.29 Savings within Regeneration are planned from the refreshed approach to asset management and the corporate landlord model. The ongoing asset disposal



programme will ensure repayment of the capitalisation directive and is intrinsically linked to the implementation of the corporate landlord model which will ensure that assets are used most effectively across localities. This will incorporate a review of the Town Halls and bring forward a range of recommendation around the use and management of assets across the whole estate. This will also be linked to the future capital investment proposals.

3.30 The Corporate savings will continue to focus on cross cutting initiatives, particularly the continuation of the enabling services review and the integration of the digital transformation opportunities into this workstream.

3.31 The allocation of the savings across these workstreams is linked to the quantum of each directorate budget and where the pressures have originated from. It is recognised that a significant element of the increase in funding will relate to the Social Care specific grants for Adult Social Care and the precept element of the potential Council Tax increase. This reflects the inflationary and demographic pressures in these areas and will be reflected within the savings proposals.

#### **Allocation of Budget Envelopes/ Budget Savings Targets**

3.32 The proposed indicative budget envelopes for each area take into account the assumed increase in funding relating to the social care grant (split between Adults and Children's), the council tax precept for Adults and the additional specific grants for Adult Social Care.

**TABLE 6: INDICATIVE SAVINGS BY DIRECTORATE**

<b>Directorate</b>	<b>Budget 23/24 £m</b>	<b>Growth 24/25 £m</b>	<b>Savings 24/25 £m</b>	<b>Budget 24/25 £m</b>
Adult Care & Health	130.58	10.60	-5.00	136.18
Children, Families & Education	86.40	5.97	-4.30	88.07
Neighbourhood Services	37.36	2.04	-2.50	36.90
Regeneration & Place	13.73	1.86	-1.90	13.69
Corporate Services	31.44	0.20	-1.20	30.44
<b>Directorate Total</b>	<b>299.51</b>	<b>20.67</b>	<b>-14.90</b>	<b>305.28</b>
Levies	41.14	2.00	0.00	43.14
Strategic Holding Account and Corporate Items	27.95	14.53	0.00	42.48
<b>Grand Total</b>	<b>368.60</b>	<b>37.20</b>	<b>-14.90</b>	<b>390.90</b>

3.33 The actual savings in development are linked to the proposed transformation activities. A number of these are cross cutting in nature and will not relate to just one specific directorate. The overall package of savings options being developed will incorporate both transformation proposals and service specific actions to reduce expenditure. It is proposed that Policy & Service Committees undertake budget workshops through October to review these proposals and actions and feedback the outcomes of the workshops to this committee.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 This budget report that provides information on the forecast outturn for the Council for 2023/24 and future years. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Policy & Resources Committee, the financial position is routinely reported at Directorate Management Team meetings and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year and for future years.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 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.
- 5.2 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.
- 5.3 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.

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

- 6.1 At this time, there are no additional resource 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 will be resource implications, and these will be addressed within the relevant business cases presented to the Committee.

## **7.0 RELEVANT RISKS**

- 7.1 The Council's ability to maintain a balanced budget for 2023/24 is dependent on a stable financial position. That said, the delivery of the budget is subject to ongoing variables both positive and adverse which imply a level of challenge in achieving this outcome.
- 7.2 In any budget year, there is a risk that operation will not be constrained within relevant budget limits. Under specific circumstances the Section 151 Officer may issue a Section 114 notice but that position has not been reached at the present time.

## **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 monitoring process and budget setting process. This report will also be shared and reviewed by the Independent Panel.
- 8.2 Since the budget was agreed at Full Council on 27 February, some proposals may have been the subject of further consultation with Members, Customer and Residents. The details of these are included within the individual business cases or are the subject of separate reports to the Committee.

## **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 This report has no direct environmental implications; however due regard is given as appropriate in respect of procurement and expenditure decision-making processes that contribute to the outturn position.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 In year activity will have incorporated community wealth implications. Consideration would have taken 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: Mark Goulding**  
(Senior Finance Manager)  
email: markgoulding@wirral.gov.uk

#### **APPENDICES**

None

#### **TERMS OF REFERENCE**

This matter is being considered by the Policy and Resources Committee in accordance with section 1.2(b) provide a co-ordinating role across all other service committees and retain a 'whole council' view of [budget monitoring].

#### **BACKGROUND PAPERS**

Policy & Resources Committee Report 14 Jun 23: 2023/24 Budget and Budget Monitoring Processes Report.

#### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Policy and Resources Committee</b>	<b>14 June 2023</b>
<b>Council</b>	<b>27 February 2023</b>
<b>Policy and Resources Committee</b>	<b>15 February 2023</b>
<b>Policy and Resources Committee</b>	<b>17 January 2022</b>