



POLICY AND RESOURCES COMMITTEE

Tuesday, 13 February 2024

REPORT TITLE:	2024/25 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY
REPORT OF:	DIRECTOR OF FINANCE (\$151 OFFICER)

REPORT SUMMARY

This report sets out the budget for the forthcoming year.

This draft budget is based on the usual work and analysis undertaken by the finance directorate and is offered for approval by the Policy and Resources Committee. If approved this will be recommended to Council on 26 February 2024. At the Council meeting, Members of the Council will be invited to support the draft budget to fulfil their legal obligation to set a balanced and sustainable budget for 2024/25.

The report presents the following financial aspects:

- details of the annual budget for 2024/25
- the key elements contributing towards the preparation of the Budget.
- recommendations on the budget and council tax
- the Medium-Term Financial Strategy (MTFS), which incorporates the Medium-Term Financial Plan (MFTP) covering the period from 2024/25 to 2028/29.

The report contains several appendices, some that are required to be published as part of the statutory annual budget process and others that provide the Committee with relevant information relating to short and medium-term budget planning, inclusive of consultation aspects and financial assumptions. These assumptions will change and will be reported through the Council's governance process for budget monitoring within the Committee system.

The 2024/25 budget has been compiled using the figures in the Provisional Local Government Finance Settlement for 2024/25 as the final settlement is expected to be published after the publication date of this report, in early February 2024. Any changes to the final settlement that impact on the assumptions included within this report will be reported verbally to the Committee at the meeting.

The budget proposals have been produced following extensive engagement of Policy & Resources Committee, Finance sub-group and other Service Committees during the last year. This process has identified the need to reflect the Council Plan priorities, particularly the delivery of high quality, efficient, universal services to all residents. It is recognised that some elements of universal services fall below the standards expected by residents and

members. Despite the challenging financial position, priority has been given to some investment in these services.

The associated recommendations laid out in this report are a key step in achieving the Council's commitment to produce a stable, prudent and sustainable financial basis to operate from, recognising the finite resources available and prioritising them for the best outcomes for Wirral, with the ongoing aim of delivering better services.

The report is necessarily extensive, covering complex information on a number of areas including:

- The Section 151 officer's report on the robustness of estimates for budget calculations
- The national context and local government funding
- Engagement with the Independent Assurance Panel
- The approach to formulating the Budget.
- The Budget Proposals
- The Medium-Term Financial Strategy (MTFS) with Medium-Term Financial Plan (MFTP)
- Council Tax
- Business Rates
- Schools' Budgets
- Levies
- The Council's Financial Reserves

The report supports the delivery of the Wirral Plan as part of the process of delivering a balanced budget for all Council activity, and therefore all Wirral Plan aims and objectives, for 2024/25.

This is a key decision which affects all Wards within the Borough.

RECOMMENDATIONS

The Policy and Resources Committee is recommended to:

1. Delegate authority to the Section 151 Officer, following consultation with the Chair and Group Spokespersons of the Policy & Resources Committee, to do anything necessary – including minor financial adjustments – to give effect to the proposals contained in this report and address any funding changes, if any.
2. Note and consider the response to the financial proposals forming a draft budget for the purposes of consultation under section 65 of the Local Government Finance Act, set out as:

Appendix 1	Budget Proposals
Appendix 2	Budget consultation
Appendix 3	Policy & Service Committee budget proposals feedback
Appendix 4	The Dedicated Schools Grant Schools Budget
Appendix 5	Provisional Council Tax Statutory Calculations

Appendix 6	Discretionary Rate Relief Policy
Appendix 7	Medium-Term Financial Strategy
Appendix 8	Budget proposal changes since November 2023
Appendix 9	Council Tax Base Calculation Process and Associated Background Information

3. Recommend to Council a Revenue Budget of £399.603m, noting that the Section 151 Officer in liaison with the Monitoring Officer and Head of Paid Service may need to make adjustments to the Budget estimates before the preparation of final reports for Full Council on 26 February 2024.

4. Accordingly recommend that Council:

- a) Approve the Medium-Term Financial Strategy (MTFS) set out as Appendix 7
- b) Approve increases to the Council's fees and charges equal to or above the annual Consumer Price Index reported by the Office for National Statistics in September 2023, unless either of the following conditions apply:
 - i. There is a statutory constraint that prevents such an increase,
 - ii. The Council is operating in a market whereby such an increase would result in the Council being uncompetitive.
- c) Approve the Discretionary Rate Relief Policy for Business Rates for 2024/25 set out as Appendix 6.
- d) Approve the creation of a £1m project fund within the budget for 2024-25 as set out in section 3 and that oversight of the project fund be retained by the Finance Sub-Committee.
- e) Approve that Unearmarked Reserves (General Fund Balances) is maintained at a figure not lower than £13.18m for the course of the 2024/25 financial year.
- f) Agree the Budget Proposals as set out in Appendix 1 and authorise, in respect of the Budget Proposals, that the Director with portfolio undertake such actions as they consider necessary to implement the agreed Budget and deliver the savings, income and efficiency proposals developed as part of the formulation process and update Committees accordingly.
- g) Approve the 2024/25 Schools Budget of £378.552m

5. Recommend (subject to a separate vote at Council) that Council:

- a. Sets the Band D Council Tax at £1,888.22 for the Wirral Borough Council element of the Council Tax, representing a general increase of 2.99% and

2.00% ringfenced increase to Adult Social Care, and the Council Tax requirement for the Council's own purposes for 2024/25 of £181.3m as detailed in Appendix 5.

- b. Notes that the additional precepts from the Police & Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Authority remain in estimated form and delegates authority to the Section 151 Officer to implement any variation to the overall council tax arising from the final notification of the precepts.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Setting a budget, in a period of continuing high inflation and growing demand for council services, requires challenging decisions to ensure that a balanced position can be presented. Members have been engaged in the process through the work of the Policy and Service Committees and Finance sub committee.
- 1.2 Failure to set a balanced budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. Failure to set a lawful budget by the required deadline will lead to a loss of revenue that is likely to be irrecoverable and incur significant additional costs and reputational damage. This report is to ensure that the Council has appropriate information to be able to set a lawful budget and to protect the Council, Customers and Members from the consequences of failing to take the necessary decisions.
- 1.3 The Medium-Term Financial Strategy (MTFS) provides a robust, consistent, and sustainable approach to establishing and maintaining a stable and prudent financial basis on which the Council's services are to be delivered.
- 1.4 In order to fulfil the aims of the MTFS, it is imperative that budget proposals are evidence based and achievable. In order to ensure that this is the case, rigorous review has been undertaken through:
 - Directorate Management Teams (DMT)
 - Senior Leadership Team (SLT)
 - Internal Challenge Panels
 - Council Committees.
- 1.5 The Council has a legal responsibility to set a balanced budget, which sets out how financial resources are to be allocated and utilised. Previous reports to the Committee have highlighted the external challenges that have impacted on the 2024/25 budget setting process and have highlighted the extent of the financial challenge faced.
- 1.6 Policy and Resources Committee is required to recommend a Budget to the Council for its meeting on 26 February 2024. The Council must set a budget for 2024/25 by 11 March by law. The issues detailed in this report support the recommendations to allow a Budget Proposal to be recommended.
- 1.7 The Budget Proposals for 2024/25 have been formulated via a rigorous review process and the Finance sub committee has met regularly during recent months to review proposals and assumptions. As such, the proposals presented are considered to provide a robust, consistent, and sustainable approach to establishing

and maintaining a stable and prudent financial basis on which the Council's services are to be delivered.

- 1.8 The budget proposals in this report stem from those presented to Policy & Resources Committee on 21 November 2023, however some of those items have been adjusted following consultation and further review. Details are provided as Appendix 8.
- 1.9 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund Balances and Reserves (Section 3.1).
- 1.10 The Medium-Term Financial Plan (MTFP) supports the delivery of the Council Plan and is key to ensuring the Council is financially stable. Progress against budget is monitored by the relevant Committees and reported to Policy & Resources Committee throughout the year, as part of routine financial management, to ensure that plans are on track and any necessary corrective action is taken at the earliest opportunity.
- 1.11 In making any amendments to the Draft Budget as currently presented, such amendments must be validated by the Section 151 Officer to confirm that, in line with his responsibilities under the Local Government Act 1972, such amendments do not impair the ability to set a lawfully balanced budget.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The setting of a legal budget is a statutory requirement and therefore no other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Report of the 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.

Summary and Background

- 3.1.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (presently the Director of Finance as the Section 151 Officer) is required to report on the robustness of the estimates made for the purposes of the Council's Budget calculations and the adequacy of the General Fund balances and reserves. The Council must have regard to this report, which is set out below, when making decisions in respect to the budget.

- 3.1.2 In expressing the opinion, the Director of Finance (S151 Officer) has considered the financial management and control frameworks that are in place, the budget assumptions, the financial risks facing the council and the level of reserves.
- 3.1.3 Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainties within the forthcoming budget year, however longer-term uncertainties and increasing pressures on the Council's finances also inform the reserves balances for the medium-term.

Financial Controls

- 3.1.4 The Director of Finance has responsibility for ensuring that an effective system of internal control is maintained to provide an assessment of the current position across the whole General Fund and identifying areas for improvement where appropriate.
- 3.1.5 The Code of Practice for Financial Management (the FM Code) was introduced by CIPFA in November 2019. The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. An internal assessment has been undertaken to ensure the Council's full compliance with the FM Code.

Balancing the Shortfall

- 3.1.6 The budget is capable of being balanced for 2024/25 and the forecast overspend in financial year 2023/24 has been contained and mitigated. The pressures existing in both financial years, which are significant, are largely due to external inflationary pressures over which the Council has no control.
- 3.1.7 In responding to this shortfall and delivering proposals for a balanced budget the Council has consulted on a wide suite of potential budget savings and has identified £12.390m which are used to balance the 2024/25 Budget.
- 3.1.8 To form the budget for the 2024/25 financial year, and to give consideration across the medium-term to 2028/29, best estimates have been incorporated to determine the financial landscape, making allowances for anticipated and unavoidable pressures and future business plans as part of this process.
- 3.1.9 A long term transformation programme has been developed to drive the delivery of savings over the period covered by the MTFs. This is an ambitious programme focussed on delivering efficiency improvements across all areas of the Council to mitigate the impact of the currently projected shortfall in funding.

Council Tax

- 3.1.10 A further key component in balancing the Budget has been the officer recommendation for the agreement by Council of an increase in Council Tax and Adult Social Care Precept to an overall increase of 4.99%. This is the maximum legally allowable increase before a Council Tax referendum is required. It is of the utmost importance that this stream of funding is agreed in order to secure future

streams of funding that will moderate cuts to key services in the future. It should be noted that every 1% change in council tax assumptions increases or decreases the budget gap by approximately £1.7m in 2024/25.

3.1.11 If the 4.99% is reduced as part of a resolution of an amendment laid before Policy & Resources Committee or before Council then it is required that the amendment should propose adoption of further savings equivalent to £1.7m for every 1% change.

Amendment to the Budget

3.1.12 Amendments that do not enable the budget to be lawfully balanced by taking realistic and deliverable savings cannot be supported in the professional opinion of the Section 151 Officer and under these circumstances the budget cannot be lawfully agreed by Council.

3.1.13 Arising from the statutory responsibilities of the Section 151 Officer it will not be acceptable for any replacement saving to draw further from the diminishing pool of Reserves held by the Council and which is already forecast to reduce markedly by 31 March 2025.

Budget Assumptions

3.1.14 The Section 151 Officer is satisfied that the Draft Budget has been based on the best available information and has used reasonable assumptions, the impact of which has been calculated using approaches and techniques commonly used within the Local Government sector.

3.1.15 In addition, a number of key processes have been in place and the Section 151 Officer is satisfied that:

- Existing and future expenditure pressures have been suitably estimated using financial monitoring reports and business insight for the current year.
- The senior members of the Finance Team and/or the Section 151 Officer have provided advice throughout the process.
- Detailed support has been provided to Service Managers in drafting business cases to define and confirm the availability of the savings identified.
- The relevant Policy and Services Committees have been consulted and briefed regarding savings in their respective areas.
- Policy and Resources (P&R) Committee and its Finance Sub-Committee have been providing governance and leadership for the process.
- Challenge panels and budget surgeries have been held by the Director of Finance.
- Support has been provided by the Independent Assurance Panel in reviewing progress against the improvement plan, critiquing the process and associated reports.
- There has been full engagement of the Senior Leadership Team and ownership of proposals to ensure a balanced budget position and how to manage down overspends.
- An effective financial monitoring process exists.

- A suitable governance and decision-making framework is in place that identifies, manages and monitors financial risks.
- Revenue and capital expenditure is differentiated along with appropriate sources of funding, including revenue implications of capital expenditure.
- Consultation in line with statutory requirements has been conducted with the Members, council tax-payers and general public and other groups as required.

Deliverability of Savings

3.1.16 As in financial year 2023/24, and as supported by the Independent Assurance Panel, resources have been set aside as a Contingent Sum to cover off the risk that the Council may encounter difficulties in delivering all of the £12.390m savings target in full during the financial year 2024/25. This is still a significant saving target and the existence of this sum is considered to be essential by the section 151 Officer.

Conclusion

3.1.17 It is the opinion of the Director of Finance (S151) that in their view the budget estimates are robust and satisfactory as required by the Local Government Act 2003; the level of reserves is at a minimum and will require replenishing. This statement is being made on the assumption that the proposed council tax funding increases by £8.62m (inclusive of additional properties, increase in Council Tax charge of 2.99% plus 2% precept for social care) for the budget year 2024/25.

3.1.18 Whilst the 2024/25 budget is balanced, there remains a gap between estimated spend and funding streams for 2025/26 onwards. Therefore, the council needs to maintain focus on financial sustainability and the transformation programme to produce a balanced budget over the medium-term.

3.1.19 The risks identified will be proactively monitored and mitigating action taken as soon as reliable trends emerge. Budget monitoring reports are routinely presented to Members during the financial year and will set out the latest position and action being taken, where applicable. The control environment and associated processes in place are robust.

3.1.20 It is the opinion of the Director of Finance (S151) that the reserves require replenishment across the MTFS period, full details of all the reserves held and their purpose are set out in the Medium-Term Financial Strategy.

Impact of the National Context

3.2 In November 2023, the Chancellor of the Exchequer announced information regarding the Spending Review in his Autumn Statement. The details of this have been provided in the Local Government Funding Settlement, received on 19 December 2023, in the form of a one-year settlement for 2024/25.

3.3 The impact of the assumptions in the provisional settlement was reported to all Members via a briefing note in January 2024. Government consultation took place on the provisional settlement and closed on 15 January 2024. The final 2024/25

settlement is expected to be laid before the House of Commons for its approval in early February 2024.

Engagement with the Independent Assurance Panel

- 3.4 The third and most recent update report of Wirral's Independent Assurance Panel (IAP) was presented to Policy and Resources Committee on 17 January 2024. The IAP was set up to oversee the Council's improvement in response to the external assurance review commissioned by the Department for Levelling Up, Housing and Communities (DLUHC) which was published in November 2021. The External Assurance Review was undertaken as a condition of the Council's request for exceptional finance support in 2020-21 and 2021-22.
- 3.5 The report presented in January, highlights the progress made by the Council in relation to development of the new Council Plan and emerging Medium Term-Financial Strategy. The letter also notes progress in relation to budget setting for 2024/25 and forecast for the next 2 years, highlighting the need to identify additional savings in future years where required.
- 3.6 The letter goes on to highlight the need to better align the Council Plan with the MTFs in terms of matching resources to stated priorities as well as the need for the Council Plan to have a robust performance management framework (PMF). As reported to this committee in November 2023, it is the intention of officers to engage with all Policy Committees early in the New Year to agree which indicators and measures are to be included in the PMF. The draft PMF will be reported to Policy and Resources committee for approval in March for implementation from 1 April.

2024/25 Budget

- 3.7 On 21 November 2023, a range of proposals contributing to the 2024/25 draft Budget were reported to Policy & Resources Committee. The draft budget gap at that time presented the potential for a £0.47m deficit position for 2024/25 based on specific assumptions.
- 3.8 As the Local Government Finance Settlement was not published in advance of the compilation of this report, it contains the assumptions made following the provisional settlement and the following announcement around additional Social Care funding. Once published, where the final settlement impacts on the assumptions laid out in the report, there will be a verbal update provided to the Committee at the meeting.
- 3.9 The Draft Budget has been balanced against a backdrop of high, but falling, inflation and growing demand for council services. The Draft Budget has provided suitably for the impact of inflation and related financial risks on the Council's operations and strategic goals.
- 3.10 The budget requires the delivery of £12.390m of savings in 2024/25, these proposals are predominantly focussed on improving efficiencies across all aspects of service delivery. It is essential that these savings are fully delivered in year to ensure that they do not contribute further pressures into future years of the MTFP. It is proposed that the Committee agrees suitable oversight arrangements for the overall Transformation programme.

- 3.11 The budget also includes some areas of investment aligned to key Council priorities within the Council Plan.
- 3.12 It is proposed to use £4.5m of the Public Health reserve that has been accumulated over a number of years. An investment plan has been developed that will deliver against key public health priorities across the Borough over the next three years. The detail of this investment will be agreed through the Adult Social Care and Public Health Committee.
- 3.13 Additional investment in Highways maintenance will be provided through the additional grant funding to be received via the Combined Authority. This is from additional funding made available by Government following the cancellation of part of the HS2 project and is expected to be £0.547m in 24/25.
- 3.14 It is also proposed that £1m be provided, from the contingency, for investment into specific improvement activities that will have a visible impact across the Borough. In addition, the improvement activities should be universal in nature. It is proposed that identification of the improvement activities be considered at the March 2024 Policy and Resources Committee to determine how best this fund could be used. Once agreed it is also proposed that oversight of the improvement activities would form a project that would be monitored by Finance Sub Committee.
- 3.15 The reduction in the general contingency budget can be accommodated given the reduced level of savings required in 2024/25 compared to the previous year and reducing levels of inflation. This budget would be for one year only initially due to the lack of certainty around future funding settlements and demand. It is proposed that the detail of the investment is agreed by Policy and Resources committee and oversight of the progress delegated to Finance sub-committee due to the currently temporary nature of the funding.
- 3.16 The rigorous process of review and challenge that has been delivered by the budget setting process ensures that the budget proposals included in this report have been fully scrutinised and are fit and proper in terms of readiness for decision-making.
- 3.17 Following the approval of the 2024/25 budget, monitoring of financial activity will take place via the relevant Committees throughout the year, to ensure that agreed savings proposals are delivered upon and a balanced budget position can be reported at the end of 2024/25. Where budgets are at risk of reporting an adverse position, Committees will be required to take remedial action to ensure they can be brought back in line.
- 3.18 The 2024/25 budget proposal is considered robust, although it is recognised that there are significant savings that need to be delivered – savings proposals have been challenged in terms of deliverability and phasing and assurances have been obtained from Directors that these are achievable. Estimates within the budget are

based on professional advice and contingencies within the budget are considered sufficient to deal with unforeseen or uncertain items.

3.19 A rigorous process to monitor progress of savings delivery forms part of the standard budget monitoring process, which will continue in 2024/25.

3.20 The proposed budget for 2024/25 is summarised as follows:

TABLE 1: PROPOSED BUDGET

	24-25 (£m)	24-25 (£m)
FUNDING		
Council Tax	-172.643	
Proposed Council Tax increases	-8.615	
Business Rates	-143.464	
Social Care Specific Grants	-54.272	
Other	-20.609	
TOTAL FUNDING		-399.603
BUDGET REQUIREMENT		
Baseline	368.600	
Removal of one-off items from 23/24:	5.4520	
Baseline Restated		374.052
Total Pressure/ Investment		37.941
Saving Income and Efficiencies		
Increasing Business Efficiencies	-3.810	
Increasing Income	-0.750	
Changing how we fund or provide services	-7.830	
Reducing or stopping services	0.000	
Total Savings Income and efficiencies:		-12.390
TOTAL BUDGET REQUIREMENT		399.603
REVISED BUDGET GAP / (SURPLUS)		0.000

Funding

3.21 The Council's main source of funding is made up of Income from Council Tax and Business Rates, with a number of lower value funding sources also contributing to matters as outlined in the table above. The provisional statutory calculation for Council Tax for 2024/25 is included within Appendix 5. The Business Rates calculations include business rate relief as set out in the Discretionary Rate Relief Policy included within Appendix 6. The total business rate funding is made up of:

- Business rate income and Section 31 grants of £102.092m
- Government top-up grant of £60.610m, which includes the equivalent of £19.238m Better Care Fund (Better Care Fund grant is forgone because of the Council's involvement in the Business Rates Retention Scheme pilot).

3.22 Council funding also includes a number of Social Care specific grants. The Social Care grant totals £41.900m in 2024/25, an increase of £9.758m from the previous year. The grant is provided to upper tier authorities for social care expenditure, on both Adult and Children's Social Care, and is used to address care needs that are a result of age, illness, disability or any significant change in life in addition to specific care needs of children, young people and their families. Discretion is available for local authorities to determine how much of it should be spent on adult social care and how much should be spent on children's social care. Other Social Care Specific grants include:

- Market Sustainability & Improvement Fund to enable improvements to be made to adult social care - £7.877m
- Discharge Fund to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible - £4.495m.

The Council also has the discretion to apply an Adult Social Care precept of 2% on Council Tax bills; approximately £3.453m could be generated through the application of the precept, which has been factored into the budget assumptions.

3.23 Included within the other sources of funding is:

- Better Care Fund £19.238m (notional amount extracted from Government top-up grant)
- New Homes Bonus of £0.079m
- Services Grant of £0.520m, which has been provided to support all services delivered by councils and is significantly reduced from 2023/24.

Full details of funding is provided in The MTFs which can be found in Appendix 7 of this report.

Baseline Budget Requirement And Approach To Budget Setting

3.24 At its Budget Council on 27 February 2023, a net revenue budget for 2023/2024 of £366.6m was agreed. In 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. This presents the starting position for the 2024/25 budget, which first required non-recurring components of the 2023/24 position to be reversed out.

3.25 Following initial budget challenge sessions with Directors and a review of the early Q2 budget monitoring information, a position around the current and future pressures was ascertained. This represented the best available information at the point in time and formed the baseline for the pressures within the draft MTFP for current and future years.

3.26 At the Policy and Resources Committee on 4 October 2023, a potential budget gap of £14.9m for 2024/25 was presented. Members were asked to note that the budget gap is an ever-moving target due to a number of factors; these included:

- Ongoing Government announcements of funding, including specifically the Provisional Local Government Financial Settlement for 2024/25

- 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.

- 3.27 The report highlighted the developing change programme aimed at supporting the delivery of the medium-term financial plan and the expected savings required to deliver a balanced budget. The Change Programme is aligned to the overall priorities within the Council Plan, focussing on delivering operational efficiencies and better outcomes for residents through promoting independence and improving outcomes.
- 3.28 There are a number of transformation themes that are designed to deliver savings over the MTFP period.
- 3.29 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.
- 3.30 The Neighbourhood Services focused 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.
- 3.31 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 recommendations around the use and management of assets across the whole estate. This will also be linked to the future capital investment proposals.
- 3.32 The Corporate savings continued 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.
- 3.33 The allocation of the savings across these workstreams was linked to the quantum of each directorate budget and where the pressures have originated from. It was recognised that a significant element of the increase in funding related to the Social Care specific grants for Adult Social Care and the precept element of the potential Council Tax increase. This reflected the inflationary and demographic pressures in these areas and was reflected within the savings proposals.

- 3.34 The actual savings developed were linked to the proposed transformation activities. A number of these are cross cutting in nature and do not relate to just one specific directorate. The overall package of savings options developed incorporated both transformation proposals and service specific actions to reduce expenditure.
- 3.35 Policy & Service Committees undertook budget workshops through October to review these proposals. Actions and feedback from the outcomes of the workshops was presented back to Policy & Resource Committee and can be found in Appendix 3 of this report.
- 3.36 Policy and Resources Committee on 21 November 2023 received a Budget Update report which provided a refined position on potential pressures and proposed savings in both 2024-25 and future years. It also provided an officer assessment of the capability of achieving a balanced budget for 2024-25.

Budget Construction

- 3.37 A full list of the budget proposals to set a balanced budget for 2024/25 is included within Appendix 1.
- 3.38 The MTFS inclusive of the embedded MTFP (Appendix 7) provides further detail on the 2024/25 budget components.

Medium-Term Financial Strategy (MTFS)

- 3.39 The MTFS inclusive of the embedded MTFP (Appendix 7), 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.
- 3.40 The MTFS, and other accompanying appendices to this report, 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.
- 3.41 On the future journey, 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.
- 3.42 The MTFP component of the MTFS illustrates that a budget deficit will need to be bridged in future years based on current assumptions. The Council's Change Programme, Service Reviews and the forthcoming round of budget setting for 2025/26 will focus on delivering a balanced position with multi-year considerations in light of the position presented by the most recent iteration of the MTFP.

Capital Programme

- 3.43 The Capital Programme can act as a catalyst to accelerate the pace and scale of regeneration and growth in the borough across the medium and long term. This encourages market confidence, demand and growth from developers, inward investors and local businesses that will boost the revenue potential through direct income and/or future increased business rate receipts. Recent spending review announcements have identified opportunities to either fund these programmes at a lower cost, or fund new programmes, which may not have been manageable within the current Capital Programme. The revenue impact of the Capital Programme will continue to be routinely monitored in order to ensure that no unmanageable financial pressures transpire.

Setting Council Tax Levels

- 3.44 Policy and Resources Committee agreed the Council Tax Base for use in 2024/25 on 17 January 2024. A summary of the calculation process and associated background information is provided at Appendix 9.
- 3.45 In setting the Council Tax, the Council is required to have regard to the various determinations set out in the Local Government Finance Act 1992 as amended by the Localism Act 2011. The Council must calculate a Council Tax requirement, set out the total amount of Council Tax for the different categories of dwellings and determine that the Council Tax for 2024/25 is not excessive and that a Referendum is not necessary.
- 3.46 The Statutory Calculations form part of the Policy & Resource Committee recommendation to Council in respect of the Council element of the Council Tax bill. Any agreed increase will be considered against the principles determined by the Secretary of State under the Act (as amended) in determining whether a Referendum is required. This compares the Band D Council Tax for 2024/25 with that for 2023/24 for the Council's basic amount of Council Tax and the Adult Social Care Precept. The provisional statutory calculations are contained in Appendix 5.
- 3.47 The precepts to the Council, issued by the Police & Crime Commissioner for Merseyside and by the Merseyside Fire & Rescue Service, in accordance with Section 40 of the Local Government Finance Act 1992 will be added to the Council element to set the Council Tax for Wirral for 2024/25 once known. If this information is available before the publishing date for Budget Council, this will be included as a separate report within the Council papers agenda. In 2024/25 the Liverpool City Region Combined Authority (LCR CA) will continue to levy a precept for the LCR CA Mayoral precept.

Business rates

- 3.48 National Non-Domestic Rates (NNDR), or Business Rates, are payable by businesses based on the rateable value of the premises they occupy, which is calculated according to how much rent the premises would achieve if rented out. Valuations are carried out by the Valuation Office Agency. This was previously done on a five-year cycle, but the latest valuation list came into effect from 1st April 2023

and will now operate on a three-year cycle with the next valuation due from April 2026.

- 3.49 The Council is responsible for calculating actual rates bills and for collecting rates and use the rateable value in working out how much a business will have to pay. The actual rates bill is calculated by applying the rate multiplier (a rate in the pound) to the rateable value (as assessed by the Valuation Office Agency (VOA), which is an agency of HM Revenue and Customs) and then deducting any reliefs that are applicable.
- 3.50 Whilst presenting opportunities, the localisation of Business Rates brings additional risks to the Council's financial position because of its complexity and volatility. The forecast income to the Council has to be reflected in the Council Budget. The amount received may fluctuate due to a number of reasons including:
- Appeals against rating decisions, dealt with by the Valuation Office Agency and can be large and backdated a number of years;
 - Changes in liability relating to changes in occupancy;
 - Changes in building use;
 - Alterations to buildings size and layout;
 - Demolitions and new builds;
 - Actions to avoid full liability including empty property/charitable reliefs;
 - Assessment of bad and doubtful debts.
- 3.51 Policy and Resources Committee are asked to approve the Discretionary Rate Relief Policy for Business Rates for 2024/25 - Appendix 6.
- 3.52 The deficit in 2024/25 being allocated to Wirral Council is 99% and to Merseyside Fire and Rescue Service is 1%. This reflects the operation of the LCR Business Rate Pilot Scheme. A declaration of an estimated surplus or deficit for the 2023/24 financial year together with a forecast for 2024/25 had to be submitted to the Government by 31 January 2024.
- 3.53 Since April 2013 the Government has implemented changes to reliefs and also capped the Rates increase at below the inflation rate. To compensate local authorities for these decisions the Government has allocated Councils a series of Section 31 Grants. These are calculated as part of the National Non-Domestic Rates 1 return which is submitted to government by 31st January each year plus any supplementary grants awarded in year should government introduce new rating policy changes.

Schools Budgets

- 3.54 The detailed budget proposal for schools' budgets is provided in Appendix 4 and a summary is provided as follows:

	2024-25 Budget £m
Funding	367.635
Expenditure by funding block:	
Schools	262.515
Central Schools Service	4.611
High Needs	74.793
Early Years	36.633
Total expenditure	378.552
Contribution to/-from reserves	10.917

It was announced in December 2022 that the statutory override that separated DSG deficits from the authority's wider finances was extended for a further 3 years and is due to expire at the end of 2025/26. It should be noted, there is a risk that without further extension of this statutory override the deficit may have to be included in the Council's overall reserve. The 2024/25 school's budget has been approved by Schools Forum on 23 January 2024. However, the Forum members have expressed their concerns with the budget set as a significant deficit position. It has been agreed that schools and the authority will endeavour to find further mitigations during 2024/25.

Levies and Liverpool City Region Combined Authority

- 3.55 There is a statutory requirement to agree the levies for 2024/25 before 15 February 2024 in respect of transport and waste. The allocation mechanism for both bodies means that there will be variations for individual authorities as the Waste Levy reflects relative tonnages and the Transport Levy reflects relative populations.
- 3.56 The Liverpool City Region Combined Authority considered the recommendation for its 2024/25 budget on 26 January 2024. The Transport Levy has increased by 3% for 2024/25, driven by higher energy costs, pay and general inflation pressures. Wirral's share of the costs increased by £0.679m to £23.722m.
- 3.57 The Merseyside Recycling & Waste Authority were scheduled to meet 2 February 2024 to agree the final Levy for 2024/25. The Levy set out for the Council is £18.092m, representing a small increase since 2023/24 of £0.380m.

Level of General Fund Balances and Earmarked Reserves

- 3.58 The level of General Fund Balances and reserves are key components of the Council's financial management and sustainability. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.
- 3.59 Grant Thornton, the Council's external auditors, have previously recommended that Wirral Council look to build on General Fund balances to improve the Council's

financial resilience. This is addressed in the report of the Section 151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves (section 3.1 above) and the MTFS (Appendix 7).

- 3.60 The recommendation to maintain General Fund Balances at a figure not lower than £13.18m for the course of the 2024/25 represents less than 4% of the Council's net revenue budget. A level which it is considered to facilitate medium term financial resilience would be at 5% – one of the principles of the MTFS is that, within the term of the MTFP, general fund balances will be increased and maintained at 5% of net revenue budget along with the maintenance of a suite of earmarked reserves that will be used for specific projects to support the key priorities and safeguard against financial risk.
- 3.61 A summary of reserves is provided in the MTFS (Appendix 7).

4.0 FINANCIAL IMPLICATIONS

- 4.1 This report is part of a programme of activity to ensure that a fully balanced, legal budget can be recommended by the Policy and Resources Committee to Full Council at its meeting of 26 February 2024.
- 4.2 The programme to develop a robust budget position, which this paper forms part of, will support the Council in ensuring that CIPFA's Financial Management Code (FM Code) is complied with, in particular in relation to Section 4 of the FM Code – The Annual Budget.
- 4.3 The FM Code requires the Council to demonstrate that the processes they have in place 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, that 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 mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 - Sustainability - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

4.4 Financial implications of the 2024/25 budget are included within the main body of the report and associated recommendations.

5.0 LEGAL IMPLICATIONS

5.1 Failure to agree a legally balanced budget by Full Council on 26 February 2024 may have significant financial, administrative and legal implications and result in Government intervention.

5.2 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 Strategy (MTFS) and budget to recommend to the Council.

5.3 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.

5.4 Section 30 (6) and section 31A(11) of the Local Government Finance Act 1992 provides that the Council has to set its budget and Council Tax amount before 11th March in the financial year preceding the one in respect of which the budget is set.

5.5 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 (Section 151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

5.6 Consultation must take place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. The summary of responses provided are attached in Appendix 2 to this report. It must be borne in mind that this is consultation on the budget proposals, not on the decision to take whatever decision is implied by the adoption of that budget. This is because the budget is a sufficiently high-level estimate or cap and, in relation to much of the estimated income and expenditure in exercise of the budget, not set in relation to the distinct decisions that will make up that expenditure throughout the year. As such, when setting and formulating the budget it would be difficult to compile a sufficiently detailed consultation document or undertake a focussed impact assessment.

5.7 The consultation process, including the Council's consideration of the responses, is required to comply with the following overarching obligations (unless detailed statutory rules supplant these):

- Consultation must be at a time when proposals are at a formative stage.
- The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly.
- Consulters must give sufficient time for responses to be made and considered.

- Responses must be conscientiously taken into account in finalising the decision.

- 5.8 This is the same whether or not a public body was required to consult or chooses to do so. This is because all of those rules are aspects of an overriding requirement for 'fairness'. The process must be substantively fair and have the appearance of fairness. The setting of the budget and council tax by Members involves their consideration of choices.
- 5.9 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.
- 5.10 Where a service is provided pursuant to a statutory duty, it would not be lawful 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.
- 5.11 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 have a duty to seek to ensure that the Council acts lawfully. 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.
- 5.12 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.
- 5.13 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.
- 5.14 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.
- 5.15 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.
- 5.16 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.

- 5.17 Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to the Council meeting on the budget and therefore arguably to the formulation of the Budget. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no additional resource requirements directly from this report, however the implications for the proposals included within the 2024/25 budget and MTFP will be assessed at the time of implementation. For budget proposals that may result in reductions to the workforce, the Council have consulted with trade unions and relevant staff groups as required and in accordance with section 188(1A) of the Trade Union and Labour Relations Act (TULRCA) 1992).

- 6.2 A number of the budget proposals have staffing implications. It is estimated that the overall number of posts to be reduced is approximately 147 full time equivalents. This is an indicative figure at this stage. It is planned to achieve this reduction through the deletion of vacancies and releasing staff under the terms of the voluntary severance/early voluntary retirement (VS/EVR) scheme as far as possible. Where possible and appropriate, staff will be redeployed into other roles before considering any compulsory redundancies, with the aim being to minimise the number of instances as far as possible.

7.0 RELEVANT RISKS

- 7.1 The Council's ability to close the funding gap is highly dependent on the accuracy of assumptions used for Government funding and levies from other bodies, as well as demand estimates for Council services. As the Local Government Finance Settlement only covers one year, the uncertainty around future funding over the MTFP period remains high.
- 7.2 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 in year. Examples of which are new legislation, increased demand, loss of income, increased funding, decreased funding, inability to recruit to posts, ongoing impact of the pandemic, etc.
- 7.3 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.
- 7.4 Failure to achieve a balanced budget would lead to the Section 151 Officer issuing a Section 114 notice and potential ministerial intervention under Section 15 of the Local Government Act 1999.
- 7.5 Funding and demand assumptions in particular can change as more information becomes available and pressures could increase from inflationary impacts and as a

result of changes in interest rates. As such, the Medium-Term Finance Plan (MTFP) is regularly reviewed and updated as part of routine financial management.

- 7.6 There is also a risk that agreed savings will not be delivered or will be delayed. Progress on delivery of agreed savings will be monitored using Budget Monitoring reports presented to Policy and Service Committees.
- 7.7 Under the system of retained Business Rates, Authorities benefit from a share of any increased revenues but are liable for at least a share of any falls in income (subject to safety net triggers) and any non-collection. This includes reductions arising from appeals relating to past years which partially fall on the Authority. These risks are mitigated through a combination of the operation of the Collection Fund and General Fund Balances.
- 7.8 A balanced budget 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 2024/25 budget at risk and may result in a balanced budget not being identified in time for the deadline of 11 March 2024.
- 7.9 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 final funding settlement, additional savings proposals or reduced expenditure would need to be identified as soon as possible to ensure a balanced position is presented.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Initial consultation has taken place in respect of the priorities and views of the public in formulating the draft budget, as set out in this report.
- 8.2 Statutory budget consultation took place in January 2024 and details are provided in Appendix 2.
- 8.3 Policy and Services Committees reviewed and debated the draft 2024/25 budget publicly during January 2024. The minutes from the Committees is provided in Appendix 3 for the consideration of the Policy and Resources Committee in respect of the recommendations set out in this report.
- 8.4 The Policy and Resources Finance Sub-Group have met on a regular basis during recent months to review budget proposals and assumptions.
- 8.5 The Council has engaged regularly with trade unions about the Council's financial position. This will continue throughout the budget setting and implementation process.
- 8.6 For budget proposals that may result in reductions to the workforce, the Council have consulted with trade unions and relevant staff groups as required and in accordance with section 188(1A) of the Trade Union and Labour Relations Act (TULRCA) 1992).

8.7 The Council is committed to mitigating the impact on staff as far as possible and will take all steps possible to avoid any compulsory redundancies in accordance with policies and procedures.

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 The equality implications have been considered within the individual savings proposals via the completion of equality impact assessments.

9.3 It is recognised that some of the budget proposals could have equality implications. Any implications will be considered and any negative impacts will be mitigated where possible.

9.4 Equality implications will be assessed during planning, decision and implementation stages and will be recognised as an ongoing responsibility. Equality issues will be a conscious consideration and an integral part of the process.

9.5 The documents associated with this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact committeeservices@wirral.gov.uk if you would like documents in an accessible format.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The environment and climate implications have been considered within the individual savings proposals.

10.2 Setting a balanced budget puts the Council in a good position to be able to secure other necessary funding streams for future works to meet its net zero targets.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The community wealth implications have been considered within the individual budget proposals taking account of 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	Budget Saving Proposals
Appendix 2	Budget consultation
Appendix 3	Policy & Service Committee budget proposals feedback
Appendix 4	The Dedicated Schools Grant Schools Budget
Appendix 5	Provisional Council Tax Statutory Calculations
Appendix 6	Discretionary Rate Relief Policy
Appendix 7	Medium-Term Financial Strategy
Appendix 8	Budget proposal changes since November 2023
Appendix 9	Council Tax Base Calculation Process and Associated Background Information

BACKGROUND PAPERS

Pressure and Growth Proposals
 Savings and Income Proposals
 DLUHC External Assurance Reports
 CIPFA's Financial Management Code
 Wirral Economic Strategy
 Wirral's Local Plan
 Office for National Statistics – Consumer price inflation

TERMS OF REFERENCE

This report is being considered by the Policy and Resources Committee in accordance with Section 1.2(a) of its Terms of Reference, to formulate, co-ordinate and implement corporate policies and strategies and the medium-term financial plan (budget). The report seeks a recommendation to Council in accordance with Part 3(A) of the Constitution as the setting of the Council's Council Tax requirement is a function reserved to Council.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Environment, Climate Emergency and Transport Committee	29 January 2024
Tourism, Communities, Culture & Leisure Committee	25 January 2024
Children, Young People & Education Committee	24 January 2024
Adult Social Care and Public Health Committee	23 January 2024
Economy Regeneration & Housing Committee	22 January 2024
Policy and Resources Committee	17 January 2024
Policy and Resources Committee	21 November 2023
Policy and Resources Committee	04 October 2023
Policy and Resources Committee	14 June 2023
Full Council	27 February 2023
Policy and Resources Committee	15 February 2023