

ENVIRONMENT, CLIMATE EMERGENCY AND TRANSPORT COMMITTEE**Tuesday, 29 January 2024**

REPORT TITLE:	2024-25 BUDGET REPORT UPDATE
REPORT OF:	DIRECTOR OF FINANCE

REPORT SUMMARY

The purpose of this report is to provide an update on the budgets within the remit of the Committee in respect of forthcoming pressures and proposed savings that are being considered within the Medium Term Financial Plan.

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

The Policy and Service Committees are responsible for those services being delivered under their operational headings within their annual budget envelope. The Policy and Resources Committee, in consultation with the respective Policy and Service Committees, has been charged by Council to formulate a draft Medium Term Financial Plan (MTFP) and budget to recommend to the Council.

The Council is required to set a balanced budget each year and set 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.

The report contributes to the Wirral Plan 2023-2027 in supporting the organisation in meeting all Council priorities.

RECOMMENDATIONS

The Environment, Climate Emergency and Transport committee is recommended to:

1. Note the indicative pressures and proposed savings detailed in Appendix 1 and 2
2. Agree the Budget Workshop feedback and outcomes, as detailed in Appendix 3.

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 The Council has a legal responsibility to set a balanced budget, which sets out how financial resources are to be allocated and utilised. This report highlights the external challenges impacting the 2024/25 budget setting process and proposes options to address the challenges faced.
- 1.2 Setting a budget, especially in the context of largely uncontrollable, macro-economic pressures, requires challenging decisions to ensure that a balanced position can be presented. Members are engaged in the process through the work of this Committee, the Finance Subgroup and Policy and Service Committees.

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 The Council has a legal responsibility to set a balanced budget, which sets out how financial resources are to be allocated and utilised. To do this effectively requires engagement with staff, elected members and residents along with other stakeholders. Previous reports to the Committee have highlighted the external challenges that are impacting on the 2024/25 budget setting process and have highlighted the extent of the financial challenge faced. This report presents the culmination of the work undertaken to present options for budget formulation and to ensure the necessary preparations to facilitate a budget recommendation to Council on 26 February 2024.
- 3.2 The Policy & Resources Committee is responsible for co-ordinating processes for the development of the Budget and Policy Framework, together with decision-making on cross-cutting policies not part of the Policy Framework. The Policy and Service Committees are responsible for those services being delivered under their operational headings within their annual budget envelope. The Policy and Resources Committee, in consultation with the respective Policy and Service Committees, has been charged by Council to formulate a draft Medium Term Financial Plan (MTFP) and budget to recommend to the Council.
- 3.3 The Senior Leadership Team (SLT) has met regularly to discuss the budget setting process, budget proposals, the budget gap that the Council faces and the associated uncertainty on funding. Member engagement in the process has taken place through Budget Workshops along with the presentation on Committee reports.
- 3.4 The Budget workshops were convened to enable officer and member liaison on proposed budget options, in order to facilitate discussion and allow direction to be obtained on further analysis required. The Budget Workshops also provided an opportunity for alternative proposals to be considered.

- 3.5 The outcomes of these workshops are to be reported to meetings of those committees and to the Policy & Resources Committee as part of the decision-making process that facilitates a budget proposal to Full Council.
- 3.6 Appendix 3 to this report details the feedback and outcomes from this Committees Budget Workshop.
- 3.7 At the Policy and Resources Committee on 4 October 2023, a potential budget gap of £14.9m for 2024/25 was presented. Members will be aware that the budget gap is an ever-moving target due to a number of factors; these include:
- Ongoing Government announcements of funding, including specifically the 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.
- 3.8 As a result of these factors, the budget forecast presented to P&R in November 2023 was updated and a more robust position made available. An accurate appraisal was not possible at the time as the details of the financial settlement for Local Authorities was not received until late December.
- 3.9 Following budget challenge sessions with Directors and a review of the 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 Medium Term Financial Plan (MTFP) for current and future years.
- 3.10 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.
- 3.11 Demographic changes have been incorporated within the pressure figures based on the current trend data and the available datasets.
- 3.12 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.
- 3.13 The impact of all these changes will be considered, along with feedback from the consultation process and the budget proposals developed through the Service Committee and Policy & Resources Committee (P&R) Budget Workshop approach to present a robust position on financial matters to be considered in formulating a budget proposal to Full Council.
- 3.14 Policy & Resources Committee budget recommendations will be proposed in February 2023 in respect of the agreement of the annual Budget, setting of the

council tax requirement and related matters to the Council, which will be debated by Full Council and voted upon by a simple majority.

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, of which this report is a part, will support the Council in demonstrating compliance with CIPFA's Financial Management Code, specifically in relation to Section 4 of the FM Code which refers to the Annual Budget.
- 4.3 The FM Code requires the Council to demonstrate that the processes used satisfy the principles of good financial management, based on the following six principles:
- Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisation culture.
 - Accountability – based on Medium-Term Financial Planning, which derives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management - undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer actions and elected member decision making.
 - Professional standards - Adherence to professional standards is promoted by the leadership team and is evidenced.
 - Assurance - sources of assurance are recognised as an effective tool and are mainstreamed into financial management, including political scrutiny and the results of external audit, Internal Audit and inspection.
 - Sustainability: issues around sustainability of local services are at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 4.4 Delivering financial sustainability is vitally important for the Council and the budget options presented have been drawn up with this in mind, consideration is given to areas of discretionary expenditure that could be curtailed along with demonstrating savings that can be delivered from statutory components of the Council.

5.0 LEGAL IMPLICATIONS

- 5.1 The 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 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).

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, 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.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 In December 2022, consultation took place in respect of the priorities and views of the public in formulating budget plans.
- 8.2 Statutory budget consultation will commence subject to agreement by the Committee. This will take place in January 2024 and feedback will be taken into consideration by the Policy and Resources Committee when recommending a budget to Full Council at its meeting of 13 February 2024.
- 8.3 The Council has engaged regularly with trade unions about the Council's financial position.

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 will be included within the individual savings proposals currently being developed and will be addressed when these are brought forward for approval.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The environment and climate implications will be considered within the individual savings proposals currently being developed and will be addressed when these are brought forward for approval.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 The community wealth implications will be considered within the individual savings proposals currently being developed. The budget proposals under consideration will take account of related matters across headings such as:

- **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

Appendix 1: Budget Pressures

Appendix 2: Potential Savings

Appendix 3: Service & Policy Committee workshop feedback (EXEMPT)

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

CIPFA's Financial Management Code

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	21 November 2023
Policy and Resources Committee	4 October 2023
Policy and Resources Committee	14 June 2023
Council	27 February 2023
Policy and Resources Committee	15 February 2023
Policy and Resources Committee	17 January 2022

APPENDIX 1 – Budget Pressures

Pressure	24/25 (£m)	25/26 (£m)	26/27 (£m)	27/28 (£m)	28/29 (£m)
Environment, Climate Emergency & Transport					
Inflation					
Refuse & Street Cleansing contract inflation (CPI)	0.800	0.630	0.655	0.681	0.708
Waste Levy	1.310	0.380	0.380	0.380	0.380
Transport Levy	0.690	0.711	0.732	0.754	0.777
Service Pressures					
Car Parking income shortfall	0.200	0.000	0.000	0.000	0.000
Enforcement income	0.150	0.000	0.000	0.000	0.000
Provision of replacement wheeled bins	0.100	0.000	0.000	0.000	0.000
West Kirby and Hoylake Beach ecology support	0.060	0.000	0.000	0.000	0.000
Heswall Boat removal	0.100	-0.100	0.000	0.000	0.000
Policy Change					
Food waste collections	0.000	0.000	0.000	2.000	0.000
Removal of One Offs					
Capitalisation of salaries	0.060	0.000	0.000	0.000	0.000
Total	3.470	1.621	1.767	3.815	1.865

APPENDIX 2 – POTENTIAL SAVINGS

Budget Saving Proposals can be placed into the following categories:

- **Increasing Business Efficiencies:** This approach will identify efficiency measures that will result in more effective ways in which services are currently provided and may include cost reduction.
- **Increasing Income:** The Council will look to identify areas where it can raise income through fees and charges.
- **Changing how we fund or provide services:** We aim to ensure that the right service reaches the right resident when and where they need it, for the best cost. This may mean changing how we fund or provide services so that we are able to reduce costs and maintain services by becoming more efficient and by doing things differently.
- **Reducing or stopping services:** Although all efforts will be made to keep service reduction to a minimum, the scale of the financial challenge means that not all reduction proposals can be avoided.

None identified for this Committee