

**ECONOMY REGENERATION & HOUSING COMMITTEE**

Wednesday, 7 December 2022

<b>Report Title:</b>	<b>2022-23 REVENUE &amp; CAPITAL BUDGET MONITORING FOR QUARTER TWO</b>
<b>Report of:</b>	<b>DIRECTOR OF REGENERATION &amp; PLACE</b>

**REPORT SUMMARY**

This report sets out the financial monitoring information for the Economy Regeneration & Housing Committee as at quarter 2 (1 Jul – 30 Sep) of 2022-23. The report provides Members with an overview of budget performance, including progress on the delivery of the 2022-23 saving programme and a summary of reserves to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets.

Managing a budget requires difficult decisions to ensure that a balanced position can be presented. Regular Member engagement, which this report forms part of, is considered essential in delivering effective governance and financial oversight.

At the end of Quarter 2, there is a forecast adverse position of £0.237m on the Committee's net revenue budget, of £14.583m. This includes the costs of the staff Pay Award which is £0.345m above the 3% pay award budget that had been built in to 22-23. Without the Pay Award there would be an overall favourable position of £0.104m. This position is based on activity to date, projected trends in income and expenditure and potential mitigation to offset areas of adverse variance.

This matter affects all Wards within the Borough and is not a key decision.

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

**RECOMMENDATION/S**

The Economy Regeneration and Housing committee is recommended to note:

- (1) the forecast revenue position presented at Quarter 2;
- (2) the progress on delivery of the 2022-23 savings programme at Quarter 2;
- (3) the forecast level of reserves at Quarter 2; and
- (4) the capital forecast position of £39.061m at Quarter 2.

## SUPPORTING INFORMATION

### 1.0 REASONS FOR RECOMMENDATIONS

- 1.1 It is vitally important that the Council has robust processes in place to manage and monitor the in-year financial position, to ensure it delivers a balanced position at the end of the year
- 1.2 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.
- 1.3 This report presents timely information on the Quarter 2 financial position for 2022/23.

### 2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Policy and Resources Committee has previously determined the budget monitoring process to follow and this report details the agreed course of action. 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 As at the end of September 2022 (Quarter 2), the financial forecast year end position for Economy Regeneration and Housing Committee is an adverse position of £0.237m on the Committee's net revenue budget, of £14.583m as set out in Table 1 below.

**TABLE 1 2022/23 Economy Regeneration & Housing Committee – Service Budget & Forecast Outturn**

	Budget	Forecast Outturn	Variance		Adverse/ Favourable
			(+ Fav / - Adv)		
	£000	£000	£000	%	
Regeneration	1,762	1,688	74	4%	Favourable
Housing	6,540	6,610	-70	-1%	Adverse
Asset Management & Investment	4,693	4,835	-142	-3%	Adverse
Planning	1,074	1,173	-99	-9%	Adverse
Special Projects	114	114	0	0%	Favourable
Local Plan	400	400	0	0%	
<b>Directorate Surplus / (Deficit)</b>	<b>14,583</b>	<b>14,820</b>	<b>-237</b>	<b>-1%</b>	<b>Adverse</b>

- 3.2 **Regeneration:** A favourable variance of £0.074m is forecast for 2022-23, which includes £0.049m for the proposed pay award. This includes capitalisation of staff

who are supporting the delivery of assets of £1.3m (against a savings target of £1.4m) and the planned use of the Regeneration reserve (£0.665m) to help fund the cost of regeneration in year. Work on the Regeneration Financial Strategy is underway which will include the potential funding required and planned resolutions to deliver the regeneration programme over the long term to ensure this does not present a recurrent pressure on the budget.

- 3.3 **Housing:** An adverse variance of £0.07m is forecast for 2022-23, including £0.123m for the proposed pay award. Supported Housing contracts are currently being retendered, which is likely to impact the future forecast position.
- 3.4 **Asset Management & Investment:** An adverse variance of £0.142m is forecast for 2022-23, of which £0.109m is from the proposed pay award. Income pressures of over £0.7m exist across the rental accommodation within Birkenhead, with forecast income being at 50% of budgeted income targets, principally at Europa House (£0.3m) and Birkenhead Market (£0.3m). These are partially offset with reduced spend on unoccupied buildings, with reduced maintenance costs (£0.3m) and running costs (£0.3m). Work is on-going to assess any further increases in costs and to look to mitigate any further losses in income..
- 3.5 **Planning:** An adverse variance of £0.099m is forecast for 2022-23, of which £0.065m relates to the Pay Award. The costs of the MEAS (Merseyside Environmental Advisory Service) contract, which provides statutory advice on ecology, waste and archaeology, are being partially offset by improved income forecasts for planning charges. .
- 3.6 **Special Projects:** A break-even position is reported for 2022-23.
- 3.7 **Local Plan:** A break-even position is reported for 2022-23, with the planned utilisation of available reserves of £366k in support of developing the local plan.
- 3.8 Table 2 sets out the subjective Budget and forecast return for 2022/23

**TABLE 2 2022/23 Economy Regeneration & Housing Committee – Subjective Budget & Forecast Outturn**

	Budget £000	Forecast Outturn £000	Variance (+ Fav / - Adv)		Adverse/ Favourable
			£000	%	
Income	-13,528	-13,294	-234	-1%	Adverse
<b>Expenditure:</b>					
Employee	13,399	14,136	-737	-5%	Adverse
Non Pay	14,712	13,978	734	5%	Favourable
<b>Total Expenditure</b>	<b>28,111</b>	<b>28,114</b>	<b>-3</b>	<b>0%</b>	Adverse
<b>Directorate Surplus / (Deficit)</b>	<b>14,583</b>	<b>14,820</b>	<b>-237</b>	<b>-1%</b>	Adverse

3.9 **Budget Virements:** There have been no budget virement in quarter 2.

3.10 **Progress on delivery of the 2022-23 savings programme:** In terms of savings, £1.750m of the £1.838m savings targets are either delivered or on track to be delivered. Representing 96% of the total savings target with a further 4% or £0.088m anticipated to be delivered. The table 2 below summarises this progress by Directorate:

**TABLE 2: SUMMARY OF PROGRESS ON DELIVERY OF 2022-23 SAVINGS**

<b>Saving Proposal</b>	<b>Approved Saving</b>	<b>Green</b>	<b>Amber</b>	<b>Red</b>	<b>Mitigation</b>	<b>Actual Savings Delivered to Date</b>
<b>Economy Regeneration &amp; Housing</b>						
Cease support for Community Alarms	£0.200m	£0.200m	£0.000m	£0.000m	£0.000m	£0.000m
Reconfiguration of Commissioned Homelessness accommodation	£0.115m	£0.115m	£0.000m	£0.000m	£0.000m	£0.000m
The Closure Public Conveniences	£0.050m	£0.050m	£0.000m	£0.000m	£0.000m	£0.025m
Corporate buildings - holding costs	£0.050m	£0.050m	£0.000m	£0.000m	£0.000m	£0.000m
Capitalisation of Regeneration Staff Salaries	£1.423m	£1.335m	£0.088m	£0.000m	£0.088m	£0.300m
<b>Total Economy Regeneration &amp; Housing</b>	<b>£1.838m</b>	<b>£1.750m</b>	<b>£0.088m</b>	<b>£0.000m</b>	<b>£0.088m</b>	<b>£0.325m</b>

3.11 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 £3m contingency fund set up for non-achieved savings at the end of the year.

3.12 Full details on the progress on specific savings can be found in Appendix 1 of this report.

#### **Earmarked Reserves**

3.13 Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area. The use of earmarked reserves is only permitted with the approval of the Section 151 officer. Table 3 below sets out a summary of earmarked reserves.

**TABLE 3: SUMMARY OF EARMARKED RESERVES**

Committee	Opening Balance £000	Forecast Use of Reserve £000	Forecast Contribution to Reserve £000	Closing Balance £000
<b>Economy Regeneration &amp; Housing</b>	<b>7,580</b>	<b>-2,104</b>	<b>344</b>	<b>5,820</b>

3.14 A review of the reserves has enabled £0.504m to be released, to cover the additional costs of the 22-23 pay award. Appendix 2 of this report provides the full list of all earmarked reserves, with the reserves released highlighted in bold.

3.15 **Capital Monitoring-** Table 4 below sets out the Capital Budget and Forecast Outturn for 2022/23

**TABLE 4: 2022/23 Economy Regeneration & Housing Committee – Capital Budget & Forecast Outturn**

Economy, Regeneration and Housing	2022/23			2023/24	2024/25
	Budget £000	Forecast Outturn £000	Variance £000	Budget £000	Budget £000
Aids, Adaptations and Disabled Facility Grants	3,500	5,335	1,835	2,889	0
Birkenhead Regeneration Delivery Fund	10,128	10,803	675	15,024	0
Birkenhead Regeneration Framework	470	470	0	0	0
Birkenhead Town Centre Masterplanning & Housing Delivery	135	135	0	265	0
Business Investment Fund	685	685	0	0	0
Capitalisation of Regen Salaries	2,984	1,000	-1,984	1,000	984
Clearance	388	388	0	0	0
Empty Property Grant Scheme	318	190	-128	438	310
FHSF New Ferry 21-22	3,189	504	-2,685	2,685	0
Future High Streets – Birkenhead	10,452	1,703	-8,749	22,879	0
Hind Street Movement Strategy Project 21-22	69	69	0	0	0
Housing Infrastructure Fund (Enabling Infrastructure)	1	1	0	0	0
Liscard Town Centre Delivery	172	172	0	0	0
Maritime Knowledge hub	12,351	0	-12,351	12,351	10,650
New Brighton Masterplan for Marine Promenade	65	117	52	0	0
New Ferry Regeneration Strategic Acquisitions	1,054	936	-118	118	0
Office Quarter Building Fit-Out	808	808	0	4,613	0
Property Pooled Plus I.T System	70	39	-31	13	0

Strategic Acquisition Fund	3,359	3,359	0	1,800	0
Town Centre scheme – Liscard	18	18	0	0	0
Town Centre scheme - New Ferry	11	11	0	0	0
Town Deal Fund – Birkenhead	16,277	8,945	-7,332	12,918	2,080
Town Fund B'head	53	53	0	0	0
West Kirby Masterplan	70	70	0	10	0
Wirral Waters Investment Fund	3,250	3,250	0	5,205	4,500
<b>Total Economy, Regeneration and Housing</b>	<b>69,877</b>	<b>39,061</b>	<b>-30,816</b>	<b>82,208</b>	<b>18,524</b>

- 3.16 The original capital budget of £69.877m has been revised during the year to re-phase expected activity as detailed below.
- 3.17 **Aids, Adaptations and Disabled Facility Grant** – grants for people with a permanent disability of any sort, including physical and learning disabilities, sensory impairments and mental illness. The grants are to help towards making changes or adaptations to a home to allow the person to continue living there. Spend is influenced by several factors including referrals received and the extent/value of the adaptations required.
- 3.18 **Town Deal Fund Birkenhead** – Funding to enable further regeneration of Birkenhead. The scheme is broken down into smaller projects that are delivered either internally or via external parties. It is now forecast that internally delivered projects will be delivered in 2023/24 hence the rephasing of the budget.
- 3.19 **Future High Streets (Birkenhead)** – Part of a large grant award from the Department for Levelling Up, Housing and Communities (DLUHC). The works covered by this funding are wide ranging to support the regeneration of Birkenhead Town Centre. The budget profile has been recast to match current project plans.
- 3.20 **Birkenhead Regeneration Delivery Fund** - Funding allocated to enable the delivery of the 'Brownfield First' development strategy in support of The Local Plan. Further work is underway to allocate the total budget against individual projects.
- 3.21 **Maritime Knowledge Hub.** The business case is being updated to reflect changing market conditions in liaison with partners and funders to ensure it remains viable or can be revised to deal with any issues. This means the project will not commence in 22-23, so has been rolled forward to next financial year.
- 3.22 **Future High Streets Fund New Ferry** - Funding has been reprofiled into 2023/24 to deliver the regeneration works at New Ferry, including the explosion sites and Woodhead Street Car Park amongst other projects.
- 3.23 **Wirral Waters Investment Fund (WWIF)**– Current approvals for WWIF grant total £5.850m, including:
- Marine, Energy & Automotive (MEA) Park Phase 2 - £1.5 million – awaiting updated programme but construction should commence this financial year. (£0.750 million in for 21/22);

Egerton Village – £1.750 million – due to start on site this financial year (£0.9 million for 21/22); and

Green and Civilised Streets - £0.400 million –infrastructure works to Tower Road. The main contract is now complete with some additional works estimated to be completed in January 2022, subject to material availability.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 This is the Quarter 2 budget monitoring report that provides information on the forecast outturn for the Council for 2022/23. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Policy and Resources and Service Committees, 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.

#### **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 2022/23 is dependent on a static financial position. This is an impossible scenario due to estimated figures being provided in the calculation for the 2022/23 budget, albeit the best estimates that were 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 the significant emerging inflationary and cost of living pressures, new legislation, increased demand, loss of income, increased funding, decreased funding, inability to recruit to posts, ongoing impact of the pandemic etc
- 7.2 A robust monitoring and management process for the 2022/23 budget is in place. If at any time during the year an adverse position is forecast, remedial action must be agreed and implemented immediately to ensure the budget can be brought back to balanced position.
- 7.3 The risk of this not being able to be achieved could mean that the Council does not have enough funding to offset its expenditure commitments for the year and therefore not be able report a balanced budget at the end of the year. This could result in the Section 151 Officer issuing a Section 114 notice.
- 7.4 A key risk to the Council's financial plans is that funding and demand assumptions in particular can change as more information becomes available. Significant inflation and cost of living pressures have already impacted the quarter 2 forecast position. and the impact of these pressures will be reviewed and considered in the MTFP as part of routine financial management.

## **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 2022/23 budget monitoring process and the 2022/23 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 28 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

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### APPENDICES

APPENDIX 1 – Progress on the delivery of the 2022-23 Saving Programme

APPENDIX 2 – Earmarked Reserves

### BACKGROUND PAPERS

**Bank of England – Monetary Policy Report – August 2022**

**DLUHC External Assurance Reports**

**CIPFA’s Financial Management Code**

### SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy and Resources Committee	9 November 2022

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



## Appendix 1 - Progress on the delivery of the 2022-23 saving programme

Saving Proposal	Approved Saving	Green	Amber	Red	Mitigation	Comment	Actual Savings Delivered to Date
<b>Economy Regeneration &amp; Housing Committee</b>							
Cease support for Community Alarms	£0.200m	£0.200m	£0.000m	£0.000m	£0.000m	On target to be achieved. Contracts due to end in-year so will deliver saving from Q3 onwards. Full saving will be achieved as lead time to deliver was built into saving	£0.000m
Reconfiguration of Commissioned Homelessness accommodation	£0.115m	£0.115m	£0.000m	£0.000m	£0.000m	On target to be achieved. Contracts changes due in-year so will deliver saving from Q3 onwards. Full saving will be achieved as lead time to deliver was built into saving	£0.000m
The Closure Public Conveniences	£0.050m	£0.050m	£0.000m	£0.000m	£0.000m	On target to be achieved. Actual saving achieved to date is from a vacant post, with remaining savings to be delivered over rest of year	£0.025m
Corporate buildings - holding costs	£0.050m	£0.050m	£0.000m	£0.000m	£0.000m	On target to be achieved. No actual savings achieved to date. Full savings will not be known until year end when all building costs are in but buildings remain closed so there is no reason the saving will not be achieved.	£0.000m

Saving Proposal	Approved Saving	Green	Amber	Red	Mitigation	Comment	Actual Savings Delivered to Date
Capitalisation of Regeneration Staff Salaries	£1.423m	£1.335m	£0.088m	£0.000m	£0.088m	Continued review with expectations of the saving being achieved at 94%. Potential for additional project management funding to be available from new grants during the year which will mitigate the shortfall. Vacancy management will also support mitigation with the imminent departure of the Director. Timesheets being produced and a line by line review is being undertaken to ensure compliance with capitalisation guidance.	£0.300m
<b>Total Economy Regeneration &amp; Housing Committee</b>	<b>£1.838m</b>	<b>£1.750m</b>	<b>£0.088m</b>	<b>£0.000m</b>	<b>£0.088m</b>		<b>£0.325m</b>

## Appendix 2 - Earmarked Reserves 2022-23

### Economy Regeneration & Housing Committee

Reserve	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Closing Balance £000
Selective Licensing	1,354	-119	112	1,347
Wirral Ways to Work	496	0	0	496
Regeneration and Inward Investment	1,423	-665	0	758
Urban Development Corporation Bid	410	-127	0	283
Building Control Fee Earning	468	0	137	605
HMO Licence Fees	164	0	80	244
<b>Major Infrastructure Project Development</b>	183	<b>-121</b>	0	62
Property Repairs rental income	276	-22	0	254
DCLG Empty Shops Grant	41	0	0	41
ERDF 4.2 Match Funding	18	0	0	18
<b>Europa Centre Dilapidations</b>	83	<b>-83</b>	0	0
<b>A/M GMT – Community Fund CAT</b>	76	<b>-76</b>	0	0
<b>Licence Survey Work</b>	56	<b>-56</b>	0	0
Emergency Maintenance and Work in Default	206	0	0	206
<b>Heritage Fund</b>	12	<b>-27</b>	15	0
Resettlement Programme Grant	992	-252	0	740
<b>Supporting People Programme</b>	141	<b>-141</b>	0	0
Homelessness	180	-71	0	109
Domestic Abuse Bill Grant	602	0	0	602
Economy Growth	342	-342	0	0
Birkenhead Future High Street funding	57	-2	0	55
<b>Total</b>	<b>7,580</b>	<b>-2,104</b>	<b>344</b>	<b>5,820</b>