

ECONOMY REGENERATION AND HOUSING COMMITTEE

Tuesday, 16 July 2024

REPORT TITLE:	2024/25 BUDGET MONITORING FOR QUARTER ONE (THE PERIOD TO 30 JUNE 2024)
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

This report sets out the financial monitoring information for the Council as at Quarter 1 (30 June) of 2024/25. The report provides Members with an overview of budget performance, including progress on the delivery of the 2024/25 saving programme and a summary of reserves and balances, to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets.

At the end of Quarter 1, there is a forecast balanced position against the £15.843m committee budget, by managing the use of grants and reserves to address the pressures being faced. This position is based on activity to date, projected trends in income and expenditure and changes to Council funding.

This is not a key decision and affects all wards.

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

RECOMMENDATIONS

The Economy Regeneration and Housing committee is recommended to note:

1. the Committee forecast position of a balanced budget of £15.843m at Quarter 1, managed by utilising grants and earmarked reserves;
2. the progress on delivery of the 2024/25 savings programme at Quarter 1;
3. the forecast level of reserves at Quarter 1; and
4. the capital position at Quarter 1.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1 At the end of Quarter 1, there is a forecast adverse position for the overall Council of £12.493m on Directorate spend. This position is based on activity to date, projected trends in income and expenditure and changes to Council funding.

This is a serious financial position for the Council that needs to be significantly mitigated in-year through all available measures to reduce expenditure and generate cost savings. The source of the overspend reflects the outturn position from 2023/24 for which an action plan has been developed and implemented. This is designed to address the main issues generating the adverse position and progress will be reported on this in all future reports and to the relevant committees. However, the majority of this overspend is a consequence of increased demand and costs for social care services and will not be easily resolved.

Whilst the overall position can currently largely be managed in-year corporately by

- a) utilising the contingency budgets,
- b) applying flexible use of capital receipts to fund transformational revenue spend, and
- c) re-provisioning of earmarked reserves,

it is not a sustainable position going forward and will adversely impact budget planning for 2025/26.

Economic Context

- 3.2 While geopolitical events pose potential threats to price stability, the UK's inflation outlook remains positive. The headline Consumer Price Index (CPI) rose by 2.0% in the year to May 2024, while core inflation has markedly declined in recent months. This sustained downward trend in UK inflation is projected to persist, prompting market analysts to forecast lower interest rates in the latter part of the year.
- 3.3 In June 2024, the Bank of England maintained its Bank Rate at 5.25%. While the Monetary Policy Committee (MPC) recognises the need to stimulate the UK economy by lowering rates in upcoming quarters, concerns over persistent inflationary pressures are likely to postpone any cuts until the third quarter of 2024. Experts anticipate a gradual reduction, with rates potentially reaching around 3% by late 2025.
- 3.4 The results of the UK general election will play a pivotal role in determining the economic trajectory in the coming financial year. The election outcome will influence a range of factors, from fiscal policies and public spending to trade relations and regulatory frameworks.

3.5 In terms of the overall economic environment, whilst it is forecast to be more stable than recent years, there remains a great deal of uncertainty and challenge which will need to be monitored carefully as the year progresses. In this context, the Council must remain agile and ready to respond to emerging trends and unforeseen events. Regular re-assessment of economic indicators and global developments will be key to navigating this calmer, yet still challenging, economic landscape.

Quarter 1 Forecast Revenue Outturn Position

3.6 Table 1 presents the forecast outturn as a net position, i.e. expenditure minus income. Favourable variances (underspends) are shown as negative values and adverse variances (overspends) are shown as a positive value.

3.7 At the end of Quarter 1, against the Committees revised net revenue budget of £15.843m, the forecast is a balanced budget managed by utilising grants and earmarked reserves.

TABLE 1: 2024/25 REVENUE BUDGET & FORECAST OUTTURN

	Budget	Forecast Outturn	Variance	
			(+ Adv / - Fav)	
	£000	£000	£000	%
Development & Investment	6,926	6,926	0	0%
Housing	6,434	6,434	0	0%
Director of Regeneration & Place	-1,250	-1,250	0	0%
Regeneration Strategy	1,865	1,865	0	0%
Planning	1,218	1,218	0	0%
Local Plan	400	400	0	0%
Special Projects & Regeneration	250	250	0	0%
TOTAL BUDGET	15,843	15,843	0	0%

Notes:

* Forecast Outturn figures assume reserves movements shown in Table 3.

Significant aspects of revenue variances by directorate

Regeneration & Place : Balanced

3.8 Assets currently forecast a £0.200m adverse forecast, due to the impact of pressures on commercial income. There are ongoing discussions with both current and potential tenants across our commercial estate, as the delivery of regeneration schemes may bring temporary disruption for some tenants.

3.9 Planning has a £0.400m adverse forecast due to unachievable planning income. This is being reviewed to identify long term income pressures.

3.10 These pressures will be managed by the department overall through the efficient use of grants and reserves to enable a balanced budget position.

Pressures to be managed

- 3.11 It is financially imperative and legally required that the Council report a balanced position at the end of the financial year. Failure to do so results in the Council's Section 151 officer having to produce a Section 114 report under the Local Government Act 1988.
- 3.12 A number of actions and projects have been taken by the Senior Leadership Team to try and address the overall position of the Council. This ranges from the development of joint commissioning activities within Adults and Childrens, panels reviewing high-cost placements, development of a strategy to increase foster care provision, implementation of the findings from the Home to School Transport review, a number of task and finish groups to address the outstanding issues within Leisure, Libraries and Highways and a review of the Housing Benefit subsidy issues.
- 3.13 This is in addition to the ongoing transformation programme, elements of this will be accelerated in-year including the property rationalisation and the workforce reductions planned within the agreed budget. A robust vacancy management process has been agreed by SLT and will be implemented. Consequently, any external recruitment will be undertaken by exception.

Budget Virements/ Amendments

- 3.14 There have been no budget virements for Quarter 1.

Progress on delivery of the 2024/25 savings programme.

- 3.15 Table 2 presents the progress on the delivery of the 2024/25 approved savings. For savings rated as Amber, an equal amount of temporary in-year mitigation has been identified to cover any shortfalls which may occur. For savings rated as red, the contingency fund set up for non-achieved savings will need to be utilised.
- 3.16 In terms of savings, £0.050m of the £0.050m savings targets are either delivered or on track to be delivered, representing 100% of the total savings target. The table below summarises the progress by Directorate:

TABLE 2: SUMMARY OF PROGRESS ON DELIVERY OF 2024/25 SAVINGS

Directorate	Approved Saving £m	Green £m	Amber £m	Red £m	Mitigation £m
Regeneration & Place	-0.050	-0.050	0.000	0.000	0.000

- 3.17 A complete list of all approved savings can be found in the Budget report which was presented to Council on 26 February 2024. **Reserves and Balances**
- 3.18 On 1 April 24, earmarked reserves totalled £55.506m and General Fund Balances totalled £13.180m. Of the total earmarked reserves, approximately a quarter will be spent in 2024/25, on the activities for which they were established.

TABLE 3: SUMMARY OF EARMARKED RESERVES

Directorate	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Analysis of Forecast Closing Balance £000		
				Ring-fenced	Non Ring-fenced (committed)	Non Ring-fenced
Regeneration and Place	19,399	-9,034	0	9,184	250	931

3.19 £6.985m of Wirral Growth Company reserve is forecast to be utilised in 24/25 to cover costs such as, the final dilapidation costs on exiting the Cheshire Lines Building lease once negotiations have concluded, abortive Market costs, as well as Birkenhead Commercial District costs.

3.20 A full list of all earmarked reserves is shown in Appendix 1.

Capital Programme

3.21 Table 4 provides an update on the 2024/25 Capital Programme.

**TABLE 4: ECONOMY REGENERATION AND HOUSING COMMITTEE
CAPITAL PROGRAMME 2024/25**

Scheme	2024/25			2025/26	2026/27
	Budget at 01.04.24 £000	Q1 Forecast £000	Variance	Budget £000	Budget £000
Birkenhead Regeneration Delivery Fund	1,363	1,363	0	-	-
Birkenhead Market Construction	3,913	1,913	-2,000	10,800	-
Birkenhead Regeneration Framework	210	210	0	-	-
Birkenhead Waterfront Programme	8,897	3,897	-5,000	16,970	-
Birkenhead Town Centre Sub-Station	2,250	1,250	-1,000	3,250	-
Business Investment Fund	585	585	0	-	-
Capitalisation of Regen Salaries	741	1,650	909	1,650	-
FHSF New Ferry 21-22	1,902	1,000	-902	2,014	-
Future High Streets - Birkenhead	13,250	3,250	-10,000	11,170	-
Hind Street Programme	5,413	1,169	-4,244	22,772	18,528
Levelling Up Fund 3 - Liscard	635	3,934	3,299	8,240	-
Liscard Town Centre Delivery	13	13	0	-	-
Local Authority Housing Fund 2	4,308	4,308	0	-	-
New Brighton Masterplan for Marine Promenade	7	7	0	-	-
New Ferry Regeneration Strategic Acquisitions	916	916	0	-	-

Office Quarter Building Fit-Out	3,248	2,248	-1,000	1,000	-
Strategic Acquisition Fund	812	812	0	-	-
Strategic Acquisitions - Capital Enhancements	526	526	0	500	500
The Hythe	5,255	5,255	0	-	-
Town Centre scheme - New Ferry	5	5	0	-	-
Town Fund B'head	53	53	0	-	-
Wirral Waters Investment Fund	-	-	0	7,000	-
Aids, Adaptations and Disabled Facility Grants	5,627	6,079	452	4,700	4,700
Birkenhead Town Centre Masterplanning & Housing Delivery	80	80	0	-	-
Clearance	183	183	0	195	-
Empty Property Grant Scheme	308	308	0	-	-
Property Pooled Plus I.T System	6	6	0	3	3
Town Deal Fund - Birkenhead	8,288	4,300	-3,988	15,455	-
West Kirby Masterplan	21	21	0	-	-
Total Economy, Regeneration and Housing	68,815	45,341	-23,474	105,719	23,731

- 3.22 There has been a reprofiling of expenditure in this year's Programme so far, in respect of deferrals of budget into future years.
- 3.23 It is anticipated that further reductions and/or deferrals of budget will be made in future quarters. Such deferrals reduce the borrowing costs incurred during 2024/25 and also delays the resultant Minimum Revenue Provision (MRP) charges into future years.
- 3.24 Given the budgetary pressures that the Council faces, a review of the Programme continues to try and identify schemes that may no longer be financially viable, essential, or deliverable.
- 3.25 New additional awards of grant have been received during Quarter 1 relating to the Capital Programme:

Aids, Adaptations and Disabled Facility Grants- £5.152m

Capital funding from the Department for Levelling Up, Housing and Communities for the provision of home adaptations to help older and disabled people to live as independently and safely as possible in their homes.

Levelling Up Fund Liscard - £10.788m

The Council has secured £10.78m funding for Liscard Town Centre via the Department for Levelling Up, Housing and Communities' Levelling Up Fund 3. The Council has approved £1.386m via its Capital Programme as match funding to support delivery.

- 3.26 A capital bid has also been submitted for the below :

Capitalisation of Regeneration Salaries - £2.559m over two years

This capitalisation of staff costs involves critical work to support the delivery of the Regeneration Programme, which includes secured capital funding that requires a

staff structure to ensure that the capital funding is spent as detailed in the Grant Offer letters. There is the likelihood that further external capital funding will be secured which will require resource and capacity to deliver. Capitalisation of salaries will be undertaken where it is allowable under the conditions of the funding received or within the capital regulations.

- 3.27 Of note there are also currently two sites within Birkenhead town centre being investigated regarding their viability as residential development:

Europa Residential (Price Street Car Park) - As part of the approved Future High Street Fund and Investment Plan, Europa Residential is expected to deliver c189 residential units on council owned land to support the acceleration of housing delivery and a diversification of the town centre.

St Werbergh's (House of Fraser site, part of Princes Pavement and land at Grange Road) - Following the demolition of the former House of Fraser building and the recent council decision to relocate the Market Hall to Princess Pavement, an alternative proposal is being brought forward. It is proposed to develop residential space comprising of one bed and two bed apartments over 137,000 sq. ft. Additionally, there will be circa 14,000 sq. ft. designated for retail / leisure / health activities on the ground floor.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn for the Council for 2024/25. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Policy & Resources Committee, the financial position is routinely reported at Directorate Management Team meetings and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

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 2024/25 is dependent on a stable financial position. That said, the delivery of the budget is subject to ongoing variables both positive and adverse which imply a level of challenge in achieving this outcome.

7.2 In any budget year, there is a risk that operation will not be constrained within relevant budget limits. Under specific circumstances the Section 151 Officer may issue a Section 114 notice but that position has not been reached at the present time.

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultation has been carried out with the Senior Leadership Team (SLT) in arriving at the governance process for the 2024/25 budget monitoring process and budget setting process. This report will also be shared and reviewed by the Independent Panel.

8.2 Since the budget was agreed at Full Council on 26 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 – Reserves Summary Position

TERMS OF REFERENCE

This matter is being considered by Economy Regeneration and Housing Committee in accordance with section (j) “providing a view of performance, budget monitoring and risk management in relation to the Committee’s functions”

BACKGROUND PAPERS

Policy & Resources Committee Report 10 Jul 24: Budget Monitoring and Budget Setting Processes Report.

Bank of England – Monetary Policy Report
CIPFA’s Financial Management Code

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Full Council	26 February 2024
Policy and Resources Committee Environment	13 February 2024
Economy Regeneration & Development Committee	22 January 2024
Policy and Resources Committee	8 November 2023
Policy and Resources Committee	4 October 2023