

## **POLICY AND RESOURCES COMMITTEE**

**Wednesday, 6 November 2024**

<b>REPORT TITLE:</b>	<b>2024/25 BUDGET MONITORING FOR QUARTER TWO (THE PERIOD TO 30 SEPTEMBER 2024)</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>

### **REPORT SUMMARY**

This report sets out the financial monitoring information for the Council as at Quarter 2 (30 September) 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 and, where appropriate, Committees on the performance of those budgets.

At the end of Quarter 2, the financial outlook has deteriorated further since quarter 1. Current estimates forecast an adverse outturn position of £21.563m on Directorate spend. This position is based on activity to date, projected trends in income and expenditure and changes to Council funding.

The Council now faces a severe financial challenge that demands immediate action. To achieve a balanced budget by the end of the financial year it is imperative to implement all possible measures to curtail spending and generate substantial cost savings. Without substantial action being taken, the Council will not be in a position to provide a balanced budget by financial year-end. The Ministry of Housing, Communities & Local Government (MHCLG) have been made aware of the Council's financial position.

The source of the overspend reflects a further deterioration of the outturn position from 2023/24 for which an action plan has been developed and implemented. This action plan was designed to address the main issues generating the adverse position. However, the majority of this overspend is a consequence of increased demand and costs for social care services and will not be easily resolved.

Addressing and mitigating the in-year adverse position will be incredibly challenging but several potential strategies are available, some of which are already in progress:

- Full utilisation of all contingency funds (fully utilised in current forecast),
- Council wide spend freeze (implemented from 9 September 24),
- Maximising the use of capital receipts to finance transformational revenue expenditure. (£2.88m already included in current forecast),
- Reallocating earmarked reserves,
- Use of general fund balances.
- Work with MHCLG to identify options for financial sustainability and potential short-term measures to address the issue within the current year. (initial contact has already been made)

These options may help alleviate the current financial pressure. However, this is not a sustainable position going forward and will adversely impact budget planning for 2025/26.

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 Policy and Resources committee is recommended to:

1. Note the Directorate forecast adverse position of £21.563m presented at Quarter 2 and the urgent need to examine all available options to address the position, including using contingency budgets, maximising the Flexible Use of Capital Receipts (FUCR), the re-provision of earmarked reserves, use of General Fund Balances and seeking assistance from the Ministry of Housing, Communities and Local Government (MHCLG).
2. Note that the Director of Finance has contacted the Ministry of Housing, Communities & Local Government (MHCLG) to make them aware of the Council's financial position.
3. Note the progress on delivery of the 2024/25 savings programme at Quarter 2.
4. Note the forecast level of reserves and balances at Quarter 2.
5. Approve the budget virements, as detailed in paragraph 3.62.

## **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 meeting on 26 February 2023, the Council agreed a net revenue budget for 2024/2025 of £399.6m to be met by government grants, council tax, and business rates. At Quarter 1, a serious financial position for the Council was reported which requires significant mitigation in-year through all available measures to reduce expenditure and generate cost savings. The source of the overspend reflected the outturn position from 2023/24, for which an action plan has been developed and implemented, and the continued increase in demand for social care. This report sets out the updated revenue financial position at Quarter 2.

#### **Economic Context**

- 3.2 While geopolitical events continue to pose potential threats to price stability, the headline Consumer Price Index (CPI) has fallen to 1.7% in the year to September 2024, below the Bank's target for inflation of 2% for the first time since April 21.
- 3.3 In September, the Bank of England cut its Bank Rate by 0.25% to 5.00%, marking the first decrease in four years. Additional rate cuts are anticipated in the coming months, provided inflation remains low. However, the Bank emphasised that it was closely monitoring developments in the Middle East, particularly any changes in oil prices that could potentially drive-up inflation.
- 3.4 The next budget has been scheduled by the Chancellor for the 30 October 2024 (too late for inclusion in this report). This autumn a one-year spending review is expected, with a more comprehensive multi-year spending review planned for next spring. According to the Local Government Association (LGA) the results of the upcoming spending review will be crucial in determining the future sustainability of local services.
- 3.5 In this context, the Council must remain agile and ready to respond to emerging trends and unforeseen events. Regular reassessment of economic indicators and global developments will be key to navigating this calmer, yet still challenging, economic landscape.

### Quarter 2 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 2, against the Council's revised net revenue budget of £399.654m, there is a Directorate forecast adverse variance of £21.563m. After utilising the contingency budget and applying £2.88m of flexible use of capital receipts to fund transformational revenue spend, the adverse variance still to be mitigated stands at £14.861m.

**TABLE 1: 2024/25 REVENUE BUDGET & FORECAST OUTTURN**

	Budget	Forecast Outturn	Variance	
	£000	£000	(+ Adv / - Fav) £000	%
Adult Care & Health	142,238	148,765	6,527	5%
Children, Families & Education	95,816	105,812	9,996	10%
Finance	18,622	21,519	2,897	16%
Law & Corporate Services	16,813	17,075	262	2%
Neighbourhoods Services	40,728	43,059	2,331	6%
Regeneration and Place	16,547	16,097	-450	-3%
<b>Net Directorate Expenditure</b>	<b>330,764</b>	<b>352,327</b>	<b>21,563</b>	<b>7%</b>
Levies	42,025	42,025	0	0%
Strategic Holding Account and Corporate Items	26,865	20,163	-6,702	-25%
<b>Net Council Expenditure</b>	<b>399,654</b>	<b>414,515</b>	<b>14,861</b>	<b>4%</b>

Notes:

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

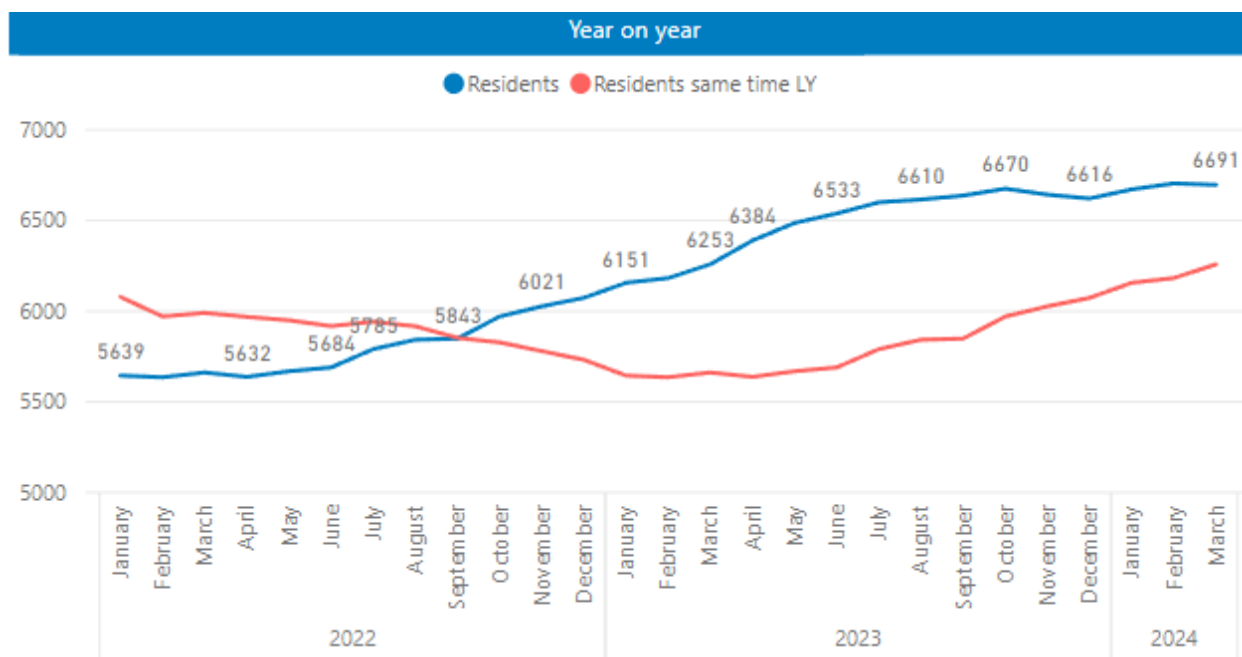
### Significant aspects of revenue variances by directorate

#### Adult Care & Health forecast adverse variance of £6.527m

- 3.8 The main pressures within the directorate are in relation to the cost of care budgets, which are currently forecasting a combined overspend of £8.857m, this is partially offset by a £1.309m overachievement of client income which reflects the increased number of clients receiving support.

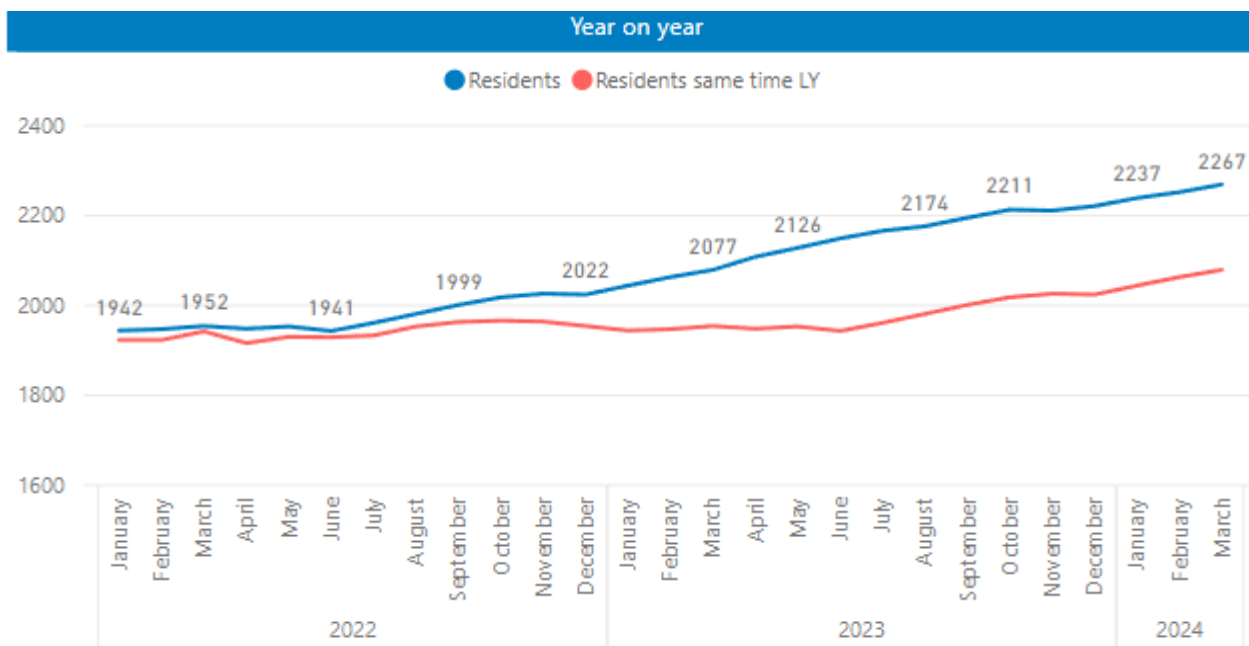
3.9 Older People Services: adverse variance of £4.826m

Pressures remain within residential and nursing settings, with the number of clients that we continue to support increasing in terms of numbers and complexity of needs. Pressures continue in relation to social care supporting an efficient discharge from hospital and the additional support needs by clients entering social care from a hospital setting. The graph below shows the number of older people aged 65 plus supported since January 2022:



3.10 Similarly demand for Elderly Mentally Infirm (EMI) services continue to rise, with the Council supporting, on average, 36 more clients than at this corresponding time last year. Based on an average weekly rate, and excluding any additional one to one support, the full year impact of this increasing client group is £1.462m

3.11 Mental Health and Disability Services: adverse variance of £1.180m  
Community care reflects an adverse variance of £1.180m within complex care. This has been partially offset by additional joint funding expectations, which reflects the increasing complexities and needs of the clients that we are supporting within a social care setting. The graph below shows the number of clients aged 18-64 in receipt of social care services since January 2022:



3.12 In relation to the directorate forecast overspend, weekly budget efficiency meetings are being held with senior managers to manage through a set of mitigating actions which are being tracked and monitored over the financial year. Of the original full year savings target of £4.800m, £4.642m has been validated to date, however demand is currently continuing to outstrip the current mitigation programme.

3.13 The Directorate has implemented an action plan to potentially reduce ongoing expenditure and mitigate the overspend position. Additional resources have been brought in to ensure all 12-week reviews are undertaken, ensuring any efficiencies from care packages are made as early as possible.

3.14 The Director continues to engage proactively with the NHS around a whole system approach. This is currently proving incredibly challenging due to the financial pressures within the Trust and the measures they have implemented to try and manage demand.

3.15 It is not conceivable that the current overspend can be addressed by the Directorate in year without significant additional external funding. The continued increase in people requiring assessment for care packages is leading to a net increase in overall numbers that can not be mitigated by savings within existing care packages / arrangements.

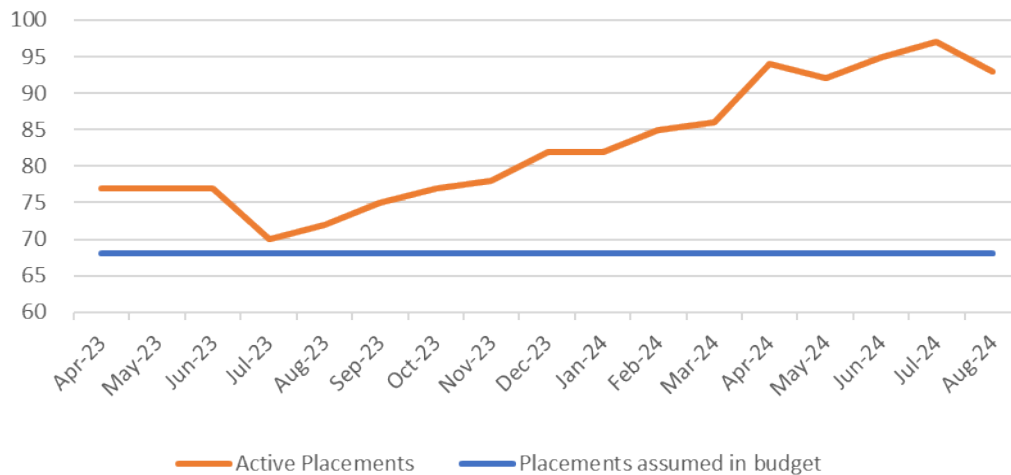
### **Children, Families & Education forecast adverse variance of £9.996m**

3.16 The main pressures within the Directorate continue to be in relation to Children Looked After, specifically children in residential placements and home to school transport.

3.17 Children and Families: forecast adverse variance of £8.422m  
Wirral has continued to see a reduction in the number of children who are looked after. There was a spike of 834 children in 2018 which reduced to 772 in 2023. As at the end of September 2024 the figure is 742. Despite an overall reduction in the

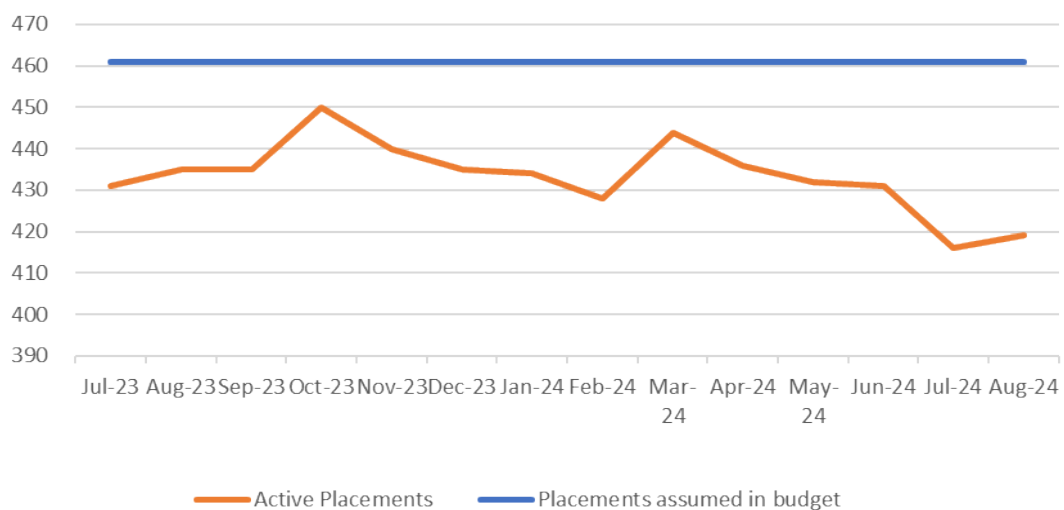
numbers of children looked after (CLA), there are still significant pressures from the CLA placement costs. £7.054m of the forecast overspend for the year is in relation to placements. Whilst the number of CLA has decreased, the number of residential placements has risen since July 23 as shown by the graph below:

**Number of Active Residential Placements per month**



3.18 The average cost of a residential placement is currently £5,045 per week. Whilst Wirral has continued to see a reduction of children becoming looked after (whereas the national trend from England has been one of an increase), children are presenting to services with more complex mental health needs, which has presented further challenges to families trying to care for their children. In addition, placements for children in foster care have been increasingly difficult to identify, this has led to more children and young people being placed in residential placements. The graph below shows the number of active foster placements since July 23:

**Number of Active Foster Placements per month**



- 3.19 The Children and Families budget has been predicated on the aspiration that more children within Wirral are to be supported in effective foster placements as opposed to residential care, however this is against the historic trend that has been experienced. £0.9m of the forecast overspend within Children's and Families is in relation to the uplifting of the skills banding payments for foster carers from July 24, however this is considered a positive step to help to encourage more foster carers as Wirral has historically paid less than other local authorities. Increasing the banding rates has put Wirral foster care rates in line with other areas and should positively impact on recruitment and retention, thereby reducing reliance on significantly higher residential placement costs and is an invest to save approach.
- 3.20 At the Children, Young People and Education Committee on 23 September, the Committee endorsed the Care Programme, which is a proactive step to mitigate the forecast overspend within Children's care. The aim of the Care Programme is to safely reduce our reliance on residential care placement by, wherever possible, enabling children and young people to be raised by their families, within their family network, or in a family environment. Foster carers play a pivotal role in the Care Programme, one of the objectives of the care programme is to ensure that when the best option for a child is foster care, there is a placement available. A requirement within the program is to retain and optimise the foster care resource we currently have and to attract new foster carers through improved foster care packages, in relation to finances, training, development and supervision.
- 3.21 The workstreams of the Care Programme will be co-ordinated by a Programme Leader and report to the Care Programme Board. Regular reports to the Council's Senior Leadership Team and to the Children, Young People and Education Committee will ensure effective monitoring and oversight. The impact of the Programme can already be seen in the graphs above as a reduction in residential placements from July 2024 and a corresponding increase in foster care placements. If this trend continues then there will be a positive impact on the budget this year and in future years. It is too early to project how material this impact will be.
- 3.22 Early Help, Prevention & Effectiveness: forecast favourable variance of £1.137m  
The main reason for the favourable variance within this service area is additional contributions and grants, over and above what was assumed at budget setting, in relation to public health, supporting families, and the youth justice board grant.
- 3.23 Education Core: forecast adverse variance of £2.452m  
The pressure within the schools' core budget continues to be home to school transport which is forecasting a £3.147m overspend. This is based on the current activity levels within the service and factors in a 7% increase in activity from September 24, based on the number of additional school places for the new academic year and the number of children with an EHCP accessing transport services. This overspend is partly offset by favourable variances against teachers' retirement costs, the attendance service, and part release of some schools related reserves. A report is being taken to the Children, Young People and Education Committee in November around the options around home to school transport.
- 3.24 SEND Statutory Services: forecast adverse variance of £0.260m  
The SEND service area includes two budget areas, Educational Psychological Services and the SEND Assessment Team. The increasing demand for Education,



Health and Care Plans (EHCP) continues and additional resources where required to progress further improvement in SEND support and services. At Quarter 1 the SEND Statutory Services budget was forecasting a £1.181m overspend. The Policy & Resources Committee on 11 September 2024 approved the virement from the Council's contingency budget of £1.100k in order to meet the service capacity requirements of the SEND Referral and Assessment Team and Educational Psychology Service in line with the restructure approved by the LASPB.

**Finance forecast adverse variance of £2.897m**

- 3.25 The Revenues and Benefits section has a long-standing court costs income target of approximately £1.600m. This target has proven challenging to meet, with projections for the 2024/25 financial year estimating only £1.000m in generated income. Discretionary care leavers relief and Housing Benefit Subsidy (HBS) are forecast to increase the budget challenge for these services of circa £0.800m. Recruitment is underway to bolster the service where demands are being seen in Housing Benefits, Debt management.
- 3.26 The Digital, data and technology section is in the final stages of an organisational restructure designed to modernise the service and provide a strong platform for the planned digital transformation. A significant budgetary pressure continues to be forecast in relation to licensing fees. This also generated an overspend of circa £1.300m in 2023/24 and cannot currently be mitigated from within the budget for systems and applications. Work has commenced to rationalise applications across the Council through centralisation and transformation. This should enable efficiencies to be delivered from the teams supporting these applications and provide opportunities to reduce the overall number of systems and applications in the longer term. Digital, data and technology are expected to exceed the allocated budget by around £1.300m in 2024/25.
- 3.27 All vacancies within the Directorate are being held or deleted wherever possible, however savings from these posts are all attributable to the savings target for the Enabling Services Review. In year savings are being sought from the reduction in external support to the Revenues and Benefits service, a review of postage and improvements to debt recovery mechanisms which should reduce the requirements for bad debt provision. It is unlikely the available opportunities for savings will be sufficient to mitigate the current overspend.

**Law & Corporate Services forecast adverse variance of £0.262m**

- 3.28 The adverse variance is caused by two main factors, first, Legal Services faces significant challenges in hiring permanent staff for the Safeguarding Section. This necessitates the use of locum workers, resulting in higher costs. The Section is looking to reshape its staff structure to attract employment, aiming to reduce locum expenses. There has been some success in reducing the number of locums during the year but there are still a number of roles where permanent recruitment has not yet been possible. Due to implementation timelines any potential benefits will only materialise in the second half of the year, at the earliest.
- 3.29 The second factor involves licensing income targets, which are projected to fall short by approximately £0.102m. This shortfall is partly attributed to increased competition from other providers i.e. other local authorities in the market and unrealistic targets being incorporated in the first place. Prospective licensees seek to be licensed in the

local authority area where it is perceived to have most liberal licence conditions, cheapest application rate and quickest turnaround to secure the licence.

- 3.30 All vacancies within the Directorate are being held or deleted wherever possible, however savings from these posts are all attributable to the savings target for the Enabling Services Review.

**Neighbourhoods Services forecast adverse variance of £2.331m**

- 3.31 The adverse forecast is due to a number of areas across the Neighbourhoods Directorate. The significant areas to note are as follows:
- 3.32 Community Safety: Forecast adverse variance of £0.220m  
The Community Safety budget is forecast with a £0.220m adverse position. £0.200m of this relates to enhancements that are not budgeted for.
- 3.33 Highways and Infrastructure: Forecast adverse variance of £0.625m  
A historic £0.500m income target, reliant on developer contributions from external projects within the Borough, of which, £0.400m is considered unattainable. The Highways service is currently consulting on parking charges to address the £0.300m funding shortfall but given the time of year any charges are likely to be implemented, it is now prudent to assume the full £0.300m cannot be met, leaving a £0.200m pressure in year. Furthermore, the Highways Maintenance Service has been working to offset the historical budget shortfall on maintenance but are prudently assuming the full amount cannot be rectified in one year and therefore assume a £0.226m overspend. Further capitalisation of staffing costs are mitigating the overall position by £0.201m, resulting in the expected £0.625m adverse position.
- 3.34 Leisure, Libraries and Customer Engagement: Forecast adverse variance of £0.994m  
The Leisure, Libraries and Customer Engagement service is expecting an adverse variance of £0.994m attributable to a number of areas. £0.664m adverse position on Leisure Services primarily caused by staffing pressures and a lack of budget to cover premium payments and enhancements for rota hours. In addition, there is an estimated £0.330m adverse position on Libraries due to premises repairs and maintenance of £0.100m, unachievable income targets of £0.100m that have remained in place despite site reductions, changes in customer behaviour, technology advances and premium / enhancement payments of £0.130m
- 3.35 Climate Emergency and Environment: Forecast adverse variance of £0.402m  
The adverse position in the Climate Emergency and Environment Portfolio is caused by several factors. The Parks and Countryside Service has net adverse variances of £0.277m, made up of corporate mid-point and vacancy control targets, event income not being realised and vehicle costs. There are further pressures of £0.102m from the depot and fleet review that not fully concluded and an adverse position in Trading Standards, due to the use of agency to cover sickness absence and ongoing difficulties recruiting permanent staff. There are adverse variances in the Waste and Environment Service of £0.117m relating to contractual pressures on the regional green waste treatment contract and noting the environmental enforcement scheme is not yet started. This overall position is mitigated by several variances, namely lower tree management costs to date of £0.094m.

- 3.36 The Directorate is looking for further options to mitigate the overspend in year. This includes holding vacancies for recruitment and potentially reducing the level of service being provided. The recommendations from the Leisure review, that was concluded earlier this year, will also be implemented, but are unlikely to have a material impact in the current financial year.

**Regeneration & Place forecast favourable variance of £0.450m**

- 3.37 The overall position for Regeneration & Place is favourable, this is due to pressures being managed by the department overall through the efficient use of grants and reserves. The variances being covered by this include:
- 3.38 Assets are currently forecast a £0.300m adverse forecast, which is £0.100m more than Q1. Commercial income continues to decline with a £0.300m adverse forecast as ongoing discussions with both current and potential tenants across our commercial estate continues. The delivery of regeneration schemes may bring temporary disruption for some tenants that will impact on this too. As rental agreements renew, there is also potential for renegotiated tenancies that will impact this position further.
- 3.39 Service Charges and other costs within our managed estate (which includes the shopping centre and the Birkenhead Commercial District) are based on assessed charges at the start of the year and the actual costs is still awaited, which may impact the forecast.
- 3.40 Planning has a £0.700m adverse forecast, which is £0.350m worse than quarter 1. This is due to the £0.400m of planning income shortfall previously reported and also £0.300m of MEAS (environment assessments) costs. The contract for this is being reviewed that will see improvements in the service going forward.
- 3.41 Regeneration has a £0.250m favourable position, due to the use of UKSPF funding the Business Support Service contract.
- 3.42 Housing has a £0.900m favourable forecast. This includes £150k of adverse pressure on the Homelessness service due to increasing demand but is offset by £600k favourable position on Supported Housing and the use of a number of external grant funding which has been secured to support the overall service.
- 3.43 The Directorate is continuing to look at ways in which expenditure can be reduced, including a review of grants and the recharging of in-year costs to either the capital programme or reserves, where appropriate. Property rationalisation and asset disposal are a key element of the proposed savings from the Directorate in the medium to long term. This work is being prioritised and may deliver some savings in the current financial year; however, the product of this work is unlikely to be clear prior to the final quarter of the year.

**Strategic Holding Account & Corporate Items favourable variance of £6.702m**

- 3.44 Contingency funds of approximately £6m were set aside during budget planning to provide a buffer against unexpected changes in spending and income. £1.1m has now been transferred to the Children Families & Education Directorate, as per the 11 Sep 24 P&R report, to provide additional resources for SEN services. The remaining funds sit in this budget area to offset the Council's overall adverse position.

- 3.45 This area also contains budgets allocated for the 24/25 pay award, initially estimated to be around 3%, however, the most recent pay offer is nearer 4%. This potential increase adds an additional £1.2 million pressure to the Council's finances and has been included in the forecast above. There remains a possibility of further budgetary pressures if the final pay settlement exceeds the present proposal.
- 3.46 The ESR savings target which, at present, is assumed to be achieved by the end of the year.
- 3.47 The application of £2.88m of Flexible Use of Capital Receipts (FUCR) is included in the forecast, to date, and will be applied to transformation-related revenue expenditure.
- 3.48 A detailed revenue table is attached in Appendix 1.

### **Pressures to be managed.**

- 3.49 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.
- 3.50 A number of actions and projects have already been taken by the Senior Leadership Team to try and address the overall position. This ranges from the development of joint commissioning activities within Adults and Children's, 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.
- 3.51 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 implemented, consequently, any external recruitment will be undertaken by exception.
- 3.52 From Monday 9th September, the Director of Finance also introduced a spending freeze. The aim of this freeze is to keep the 2024/25 costs to an absolute minimum to ensure the Council is in a better position to continue to fulfil its statutory duties and take the necessary steps to deliver a balanced budget.
- 3.53 However, despite all of these measures, the latest financial projections for this year, mean the Council is still confronted with a significant risk of an in-year overspend, meaning further options need to be explored.
- 3.54 Below is a summary of the options available to help mitigate the in-year position, some of which are already in progress:
- Full utilisation of all contingency funds (fully utilised in Q2 forecast),
  - Council wide spend freeze (implemented from 9 September 24),
  - Maximising the use of capital receipts to finance transformation or revenue expenditure. (£2.88m already included in currently forecast),

- Reallocating earmarked reserves (£5.730m of non-ringfenced reserves could be utilised),
- Use of general fund balances (£13.8m available)
- Work with MHCLG to identify options for financial sustainability (initial contact has already been made)

3.55 The severity of the adverse financial position at Q2 will require implementing most of these proposed measures. Any additional decline in the financial situation would leave the council unable to achieve a balanced budget for 2024/25. Even if we could theoretically balance the budget using the aforementioned resources, it would place the Council in a precarious position at the start of the new financial year lacking both contingency and emergency funds. This situation is untenable which is why the Director of Finance has already initiated contact with MHCLG.

### **Role of Policy and Service Committee**

3.56 As per the 'Budget Monitoring and Budget Setting Processes Report', the Committees will be responsible for containing net expenditure within their overall budget envelope and not overspending. Where an adverse variance is forecast, each committee will be required to take remedial action, with detailed plans and timeframes, to bring the budget back in line and ensure that overspends are mitigated.

3.57 Where a Committee has taken all possible steps for remedial action and is unable to fully mitigate an overspend, this must be reported to the Policy and Resources Committee who will then take an organisational-wide view of how this adverse variance will be managed. There must be immediate action agreed to ensure a deliverable, balanced forecast position can be reported, and this will be monitored on a monthly basis by the Policy and Resources Committee Finance Working group.

3.58 The upcoming Policy and Service committee meetings will receive reports detailing the current financial position for their respective areas. These reports will be accompanied by proposed measures aimed at limiting and reducing the adverse financial forecasts for the Committees consideration.

### **Role of the Policy and Resources Committee**

3.59 The Policy and Resources Committee has ultimate responsibility for taking any necessary steps required to ensure a balanced budget position is delivered. The Section 151 Officer will be responsible for ensuring that any budget actions, proposals and mitigations are achievable and legal.

3.60 The quarter 2 position highlights £21.563m of forecast adverse variances across Directorates. This position carries a significant risk that the Council will be unable to manage in year from the available resources highlighted in paragraph 3.54. Committees and the relevant Chief Officers need to urgently identify and agree remedial action to address this adverse variance, noting that the Section 151 Officer has already engaged with SLT around deferring all non-essential spend.

3.61 This is a critical financial position for the Council. Considering the present levels of earmarked reserves and general fund balances (detailed in Table 3 below), any further deterioration of this position during the year will necessitate action from the Section 151 Officer. Specifically, the requirement to issue a Section 114 notice. This

notice is a mandatory obligation for a Section 151 Officer if the budget is, or is likely to become, unbalanced. Before issuing such a notice, the Section 151 Officer must consult with The Head of the Paid Service (in this case, the Chief Executive) and The Monitoring Officer (Director of Law and Corporate Services). This process underscores the severity of the financial challenges facing the Council and the potential legal implications if the situation worsens.

### Budget Virements/ Amendments

3.62 Since Quarter 1, additional in-year funding of £1.1m has been vired into the Children, Families & Education Directorate for SEND services from the Council's contingency budget. Further details on this proposed virement can be found in the 'Supporting Statutory Send Services' report to Policy & Resources Committee on 11 September 2024. There have also been a small number of administrative changes to budgets that do not impact the strategic delivery of services.

### Progress on delivery of the 2024/25 savings programme.

3.63 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.

3.64 In terms of savings, £9.590m of the £12.390m savings targets are either delivered or on track to be delivered, representing 77% of the total savings target with a further 16% or £2.000m with a high risk of not being achieved within this financial year. 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
Adult Care & Health	-4.800	-4.800	0.000	0.000	0.000
Children, Families & Education	-2.980	-0.530	-0.800	-1.650	-0.800
Finance	0.000	0.000	0.000	0.000	0.000
Law & Corporate Services	0.000	0.000	0.000	0.000	0.000
Neighbourhood Services	-1.300	-1.300	0.000	0.000	0.000
Regeneration & Place	-0.050	-0.050	0.000	0.000	0.000
Corporate	-3.260	-2.910	0.000	-0.350	0.000
<b>TOTAL</b>	<b>-12.390</b>	<b>-9.590</b>	<b>-0.800</b>	<b>-2.000</b>	<b>-0.800</b>

### Significant variances by directorate.

#### Children, Families & Education: £1.650m red rated savings

3.65 £1.1m of the Children, Families and Education savings is in relation to reducing high-cost residential care and £0.3m associated with home to school transport are unlikely to be achieved in year given the extreme pressures on the social care and

home to school transport budgets. £0.250m of the PFI saving is now not expected to be achieved until 25/26.

**Corporate: £0.350m red rated savings**

- 3.66 The specific Digital Data and Technology traded service with schools has now ceased however due to a transformational staffing reorganisation the saving will be unachieved.
- 3.67 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**

- 3.68 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
Adult Care & Health	6,927	-284	0	6,643	0	0
Children, Families & Education	1,951	-1,119	0	688	144	0
Finance	1,467	-1,116	0	93	0	258
Law & Governance	211	-70	0	0	50	91
Neighbourhoods Services	122	0	0	89	12	21
Regeneration and Place	19,399	-9,084	0	9,134	250	931
Other Corporate	25,429	-1,296	0	19,704	0	4,429
<b>Total</b>	<b>55,506</b>	<b>-12,969</b>	<b>0</b>	<b>36,351</b>	<b>456</b>	<b>5,730</b>
				<b>Total Earmarked Reserves Forecast Closing Balance</b>		<b>42,537</b>
<b>General Fund Balances</b>	<b>13,180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,180</b>

- 3.69 The Council is currently forecast to have £42.537m of earmarked reserves at the end of the financial year 2024/25. Of this £36.351m can be considered ringfenced, with specific conditions limiting their use, £0.456m is non ring fenced but already committed for specific purposes and £5.730m can be considered earmarked but not

ringfenced. Ringfenced reserves include School's balances, Insurance fund, Public Health Grant, Wirral Growth Company, Resettlement Programme Grant, and Selective Licensing.

- 3.70 If the Council's current forecast financial position materialises at the end of the year, it will be necessary to redirect earmarked reserves to address the overall financial position. A final decision on the reallocation will be made at the conclusion of the financial year, once the actual final figures are available.
- 3.71 A full list of all earmarked reserves can be found in the in the Budget report which was presented to Council on 26 February 2024.

#### **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 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).
- 4.2 The Council currently faces a critical financial position, as detailed within the body of the report, which requires immediate action. MHCLG have been made aware of the situation. At present, there is significant risk of Section 114.

#### **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. For the current year this remains a significant risk.

## **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.

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.

8.3 Due to the current position, engagement with MHCLG has been initiated. Further updates will be provided to the Finance Working Group and at future meetings.

## **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 – Directorate Summary Financial Positions

## **TERMS OF REFERENCE**

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

## **BACKGROUND PAPERS**

Policy & Resources Committee 11 Sep 24: Supporting Statutory Send Services Report  
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)**

<b>Council Meeting</b>	<b>Date</b>
------------------------	-------------

<b>Policy and Resources Committee</b>	<b>17 July 2024</b>
<b>Full Council</b>	<b>26 February 2024</b>
<b>Policy and Resources Committee</b>	<b>13 February 2024</b>
<b>Environment, Climate Emergency and Transport Committee</b>	<b>29 January 2024</b>
<b>Tourism, Communities, Culture &amp; Leisure Committee</b>	<b>2 February 2024</b>
<b>Children, Young People &amp; Education Committee</b>	<b>1 February 2024</b>
<b>Economy Regeneration &amp; Development Committee</b>	<b>22 January 2024</b>
<b>Adult Social Care and Public Health Committee</b>	<b>23 January 2024</b>
<b>Policy and Resources Committee</b>	<b>8 November 2023</b>
<b>Policy and Resources Committee</b>	<b>4 October 2023</b>

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	
	£000	£000	(+ Adv / - Fav) £000	%
<b>Adult Care &amp; Health</b>				
Adult Social Care Central Functions	8,204	8,748	544	7%
Older People Services - WCFT	69,366	74,192	4,826	7%
Mental Health & Disability Services - CWP	59,306	60,486	1,180	2%
Other Care Commissions	-4	-140	-136	3400%
Delivery Services	5,527	5,724	197	4%
Public Health - Central Functions	4,070	3,899	-171	0%
Public Health - Commissioned Services	19,909	20,319	410	0%
Public Health - Internal Investment	7,202	7,871	669	0%
Public Health - Joint Commissions	1,265	1,265	0	0%
Public Health - CHAMPS hosted Service	0	0	0	0%
Public Health - Grant Funding	-32,607	-33,599	-992	0%
<b>Adult Care &amp; Health Net Expenditure</b>	<b>142,238</b>	<b>148,765</b>	<b>6,527</b>	<b>5%</b>
<b>Children Families and Education</b>				
Children and Families	60,476	68,897	8,421	14%
Early Help, Prevention & Effectiveness	14,295	13,158	-1,137	-8%
Education - Core	17,062	19,514	2,452	14%
SEND - Statutory	3,983	4,243	260	7%
<b>Children Families and Education Net Expenditure</b>	<b>95,816</b>	<b>105,812</b>	<b>9,996</b>	<b>10%</b>
<b>Finance</b>				
Finance & Investment	4,218	4,470	252	6%
Digital Data & Technology	10,198	11,593	1,395	14%
Revenues & Benefits	3,294	4,623	1,329	40%
Audit, Risk & Business Continuity	912	833	-79	-9%
<b>Finance Net Expenditure</b>	<b>18,622</b>	<b>21,519</b>	<b>2,897</b>	<b>16%</b>
<b>Law &amp; Corporate Services</b>				
Human Resource & Organisational Development	5,184	5,129	-55	-1%
Project Management Office and Change	2,612	2,534	-78	-3%
Law & Governance	558	660	102	18%
Legal Services	3,627	3,896	269	7%
Democratic & Member Services	1,180	1,157	-23	-2%
Coroner Services	830	857	27	3%
Electoral Services	451	449	-2	0%
Registrar Services	-148	-145	3	-2%
Licensing	-119	-17	102	-86%
Policy & Strategy	746	705	-41	-5%
Comms & Marketing	920	950	30	3%

	Budget	Forecast Outturn	Variance	
	£000	£000	(+ Adv / - Fav) £000	%
Executive Support	638	530	-108	-17%
Members Support Team	237	207	-30	-13%
Committee Services	97	163	66	68%
<b>Law &amp; Corporate Services Net Expenditure</b>	<b>16,813</b>	<b>17,075</b>	<b>262</b>	<b>2%</b>
<b>Neighbourhoods</b>				
Neighbourhoods Management Team	416	506	90	22%
Community Safety and Transport	1,793	2,013	220	12%
Highways and Infrastructure	6,962	7,587	625	9%
Leisure, Libraries and Customer Engagement	9,316	10,310	994	11%
Parks and Environment	22,241	22,643	402	2%
<b>Neighbourhoods Net Expenditure</b>	<b>40,728</b>	<b>43,059</b>	<b>2,331</b>	<b>6%</b>
<b>Regeneration &amp; Place</b>				
Regeneration	1,021	771	-250	-24%
Housing	6,434	5,534	-900	-14%
Asset Management & Investment	7,224	7,524	300	4%
Planning	1,218	1,618	400	33%
Special Projects	250	250	0	0%
Local Plan	400	400	0	0%
<b>Regeneration &amp; Place Net Expenditure</b>	<b>16,547</b>	<b>16,097</b>	<b>-450</b>	<b>-3%</b>
<b>Directorate Net Expenditure</b>	<b>330,764</b>	<b>352,327</b>	<b>21,563</b>	<b>35%</b>
<b>Levies</b>				
Transport Levy	23,549	23,549	0	0%
Waste Levy	18,101	18,101	0	0%
Environmental Health Levy	200	200	0	0%
Environment Agency Levy	175	175	0	0%
<b>Levies Net Expenditure</b>	<b>42,025</b>	<b>42,025</b>	<b>0</b>	<b>0%</b>
<b>Strategic Holding Account &amp; Corporate Items</b>				
Pension	-1,067	-1,067	0	0%
Treasury & Debt Management	24,218	24,391	173	1%
Other Corporate Items	10,190	3,315	-6,875	-67%
Public Health Recharge	-6,476	-6,476	0	0%
<b>Strategic Holding Acc. &amp; Corporate Items Net Exp.</b>	<b>26,865</b>	<b>20,163</b>	<b>-6,702</b>	<b>-25%</b>
<b>Total Net Expenditure</b>	<b>399,654</b>	<b>414,515</b>	<b>14,861</b>	<b>4%</b>

Notes:\* Forecast Outturn figures assume reserves movements shown in Table 3 of the report.