

ENVIRONMENT, CLIMATE EMERGENCY AND TRANSPORT COMMITTEE**TUESDAY 3 DECEMBER**

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

REPORT SUMMARY

This report sets out the financial monitoring information for the Environment, Climate Emergency and Transport Committee 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. 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, the financial outlook has deteriorated since quarter 1. Current estimates forecast an adverse outturn position of £1.026m on the Committee's revenue budget.

The Council 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 Council's 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.

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 Environment, Climate Emergency and Transport Committee is recommended to:

1. Note the forecast adverse position of £1.026m presented at Quarter 2 and the urgent need to examine all available options to address the position.
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. Note the capital position at the end of Quarter 2.

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 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 revised net revenue budget of £69.411m, there is an adverse variance of £1.026m.

TABLE 1: 2024/25 REVENUE BUDGET & FORECAST OUTTURN

	Budget	Forecast Outturn	Variance (+ Adv / - Fav)	
	£000	£000	£000	%
Highways & Infrastructure	6,962	7,587	625	9%
Climate Emergency & Environment	7,633	7,918	285	4%
Recycling & Waste	31,267	31,384	117	0.4%
Transport Levy	23,549	23,549	0	0%
Net Committee Expenditure	69,411	70,437	1,026	1%

Significant aspects of revenue are as follows

- 3.8 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, 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.

- 3.9 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 unachieved staffing 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

3.10 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.

3.11 A detailed revenue table is attached in Appendix 1.

Pressures to be managed.

3.12 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.

3.13 Across the Council, 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.

3.14 A robust vacancy management process has been agreed by SLT and implemented, consequently, any external recruitment will be undertaken by exception.

3.15 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.

3.16 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.

3.17 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 current forecast),
- Reallocating earmarked reserves (£5.730m of non-ringfenced reserves could be utilised),
- Use of general fund balances (£13.18m available)
- Work with MHCLG to identify options for financial sustainability (initial contact has already been made)

3.18 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

- 3.19 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.
- 3.20 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.
- 3.21 The Policy and Service committee meetings 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.

Budget Virements/ Amendments

- 3.22 None or 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.

- 3.23 Table 2 presents the progress on the delivery of the 2024/25 approved savings.
- 3.24 There were no savings for this committee.

TABLE 2: DELIVERY OF 2024/25 SAVINGS

Directorate	Approved Saving £m	Green £m	Amber £m	Red £m	Mitigation £m
Climate Emergency & Environment	0.000	0.000	0.000	0.000	0.000

Reserves and Balances

3.25 On 1 April 24, this committee's earmarked reserves totalled £0.065m, detailed in the table below.

TABLE 3: SUMMARY OF EARMARKED RESERVES

Reserve	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Ring-fenced	Non Ring-fenced (committed)	Non Ring-fenced (available)
Trading Standards	23	0	0	23	0	0
Health & Safety Armed Forces Welfare Pathway	14	0	0	14	0	0
BikeSafe	8	0	0	8	0	0
Repairs & Maintenance upgrades on Public Conveniences	8	0	0	0	0	8
Frith Consultancy	12	0	0	0	12	0
Total	65	0	0	45	12	8

Capital Programme

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

TABLE 4: ENVIRONMENT, CLIMATE EMERGENCY AND TRANSPORT COMMITTEE CAPITAL PROGRAMME 2024/25

Scheme	2024/25				2025/26
	Budget at 01.04.24 £000	Q2 Forecast £000	Variance £000	Spend to 30 Sep 24 £000	Budget £000
Active Travel Tranche 2	1,363	0	-1,363	0	0
Air Quality Control DEFRA	35	26	-9	26	9
Allotment Sites Expansion	50	35	-15	0	15
Grange Cemetery	45	31	-14	0	14
Churchyard Boundary & Landican Cemetery Structural	56	39	-17	0	17
Flaybrick Cemetery Pathway	200	140	-60	0	60
Arrove Country Park - New Machine Shed & Wash Bay	75	75	0	4	0
Arrove Country Park Depot: Re-Surfacing, Material Bays & Electronic Entrance Barrier	27	27	0	0	0
Beechwood Play Area	0	150	150	35	0
Birkenhead Park World Heritage Project Team	85	10	-75	0	26
Bridges excluding Dock Bridge	1,479	1,035	-444	-5	604
Cemetery Extension & Improvements (Frankby)	140	98	-42	0	42
Climate Emergency Budget	23	16	-7	1	7
Coastal Defence - Meols Feasibility Study	100	70	-30	0	30
Combined Authority Transport Plan (CATP)	4,596	3,217	-1,379	499	3,289
Connecting Wirral Waters: Detailed Design	26	0	-26	0	0
Coronation Park Sustainable Drainage	222	155	-67	0	67

DEFRA -Food Waste Collection Service	0	0	0	0	2,377
Depot Welfare Improvements	13	13	0	0	0
DfT Funding Highways Maintenance and Improvements	1,312	918	-394	0	394
Dock Bridges replacement	210	147	-63	0	63
England Coastal Path	0	248	248	0	107
Environmental Improvements	1,150	805	-345	250	420
Food Waste	0	0	0	0	0
Highway Maintenance	8,088	5,662	-2,426	3,195	8,139
Key Route Network (LGF3) - Operate Key Roads / Routes Efficiently	166	116	-50	0	50
Key Route Network CRSTS	454	318	-136	0	136
Kingsmead School - Playing Field S106	397	278	-119	19	119
Levelling Up Parks Fund-Woodchurch	12	8	-4	0	4
Lever Sports Pavilion	80	80	0	26	0
Lyndale Ave Parking & Safety Measures	0	0	0	0	0
Major Infrastructure Development & Strategic Transport Forward Planning - Traffic Management	53	0	-53	0	0
Moreton Sandbrook Drainage	203	142	-61	0	61
New Ferry Rangers Community Clubhouse	37	37	0	71	0
Parks and Countryside DDA	351	51	-300	0	0
Parks Machinery	1,305	1,264	-41	1,264	41
Parks Vehicles	902	631	-271	492	313
Parks Workshop & various machinery	133	93	-40	0	40
Play Area Improvements	103	282	179	108	121
Plymyard Cemetery Roadways	8	6	-2	0	2
Plymyard Playing Field					

	116	81	-35	63	35
PSDS Decarbonisation Phase 1	958	671	-287	0	1,287
Quick Win Levy	45	31	-14	0	14
Removal of remaining analogue CCTV circuits-21-22	1	1	0	0	0
Seacombe River Corridor Programme	0	225	225	11	1,820
Street Lighting -Column Replacement & Signage	9	6	-3	-1	3
Street Lighting -Illuminated Lighting and Signage	0	0	0	0	0
Strategic Transport (excl. Birkenhead 2040 Programme)	0	300	300	20	1,255
SUD - Leasowe to Seacombe Corridor	108	0	-108	0	0
Surface Water Management Scheme	57	40	-17	0	17
Allotment & Cemetery Standpipes	313	219	-94	0	94
Bidston Court - Path Improvements	350	245	-105	0	105
Football Goals	97	97	0	97	0
Health & Safety Equipment for Transport Workshop	21	15	-6	0	6
Arrowe Country Park - Main Driveway Resurfacing & Fencing Work	60	42	-18	0	18
Landican Cemetery Extension of Burial Area & Modernisation of Chapel Complex	120	84	-36	0	676
Allotment Sites Expansion - Top Up	148	104	-44	0	44
TAG Bus Case-A41 Corridor North	112	0	-112	0	0
TAG Bus Case-Wirral Waters outline	1	0	-1	0	0
Tower Road National Productivity Investment Fund (NPIF) - ease congestion / upgrade national or local networks	48	34	-14	0	14
Traffic Signal LED Upgrade	463	448	-15	448	15
Tree Strategy	0	0	0	4	0
UK Shared Prosperity Fund (UKSPF)	472	472	0	36	0

Urban Tree Challenge Fund	69	48	-21	0	21
Wallasey Embankment Toe Reinforcement	227	159	-68	0	68
West Kirby Flood alleviation	9	9	0	68	0
Wirral Way Widening	29	20	-9	13	9
Woodchurch Rd Drainage	0	0	0	0	0
Total Environment, Climate Emergency and Transport	27,332	19,574	-7,758	6,743	22,068

3.27 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.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This is the Quarter 2 budget monitoring report that provides information on the forecast outturn for the Environment, Climate Emergency and Transport Committee 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 – Detailed Revenue Budget

BACKGROUND PAPERS

Environment, Climate Emergency and Transport Committee 15 Jul 24: Budget Monitoring and Budget Setting Processes Report.
CIPFA's Financial Management Code

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Environment, Climate Emergency and Transport Committee	15 July 2024
Environment, Climate Emergency and Transport Committee	12 March 2024
Environment, Climate Emergency and Transport Committee	5 December 2023
Environment, Climate Emergency and Transport Committee	20 September 2023
Environment, Climate Emergency and Transport Committee	24 July 2023
Environment, Climate Emergency and Transport Committee	19 June 2023
Environment, Climate Emergency and Transport Committee	14 March 2023

APPENDIX 1 – Detailed Revenue Budget

	Net Budget	Forecast Outturn	Variance		Adv/ Fav
			(+ Fav / - Adv)		
Service Area	£000	£000	£000	%	
Design & Commissioning	91	-63	-154	-169%	Favourable
Highways and Infrastructure	411	435	24	6%	Adverse
Highways Maintenance & Street Lighting	6,931	7,070	139	2%	Adverse
Highways Service Support	402	402	0	0%	Balanced
Network Operations	-85	130	215	-154%	Adverse
Traffic Management	-789	-389	400	49%	Adverse
Highways & Infrastructure Total	6,962	7,586	624	9%	
Parks & Countryside	5,676	6,035	359	6%	Adverse
Parks Workshop	448	448	0	0%	Adverse
Fleet Management	-196	-94	103	-52%	Adverse
Allotments	-21	-37	-16	77%	Favourable
Cemeteries	-1,517	-1,517	0	0%	Balanced
Parks & Countryside - Parks HQ	1,259	1,259	0	0%	Balanced
Climate Emergency	406	406	0	0%	Balanced
Flood Management	608	558	-50	-8%	Favourable
Tree Management	970	859	-111	-11%	Favourable
Climate Emergency and Environment Total	7,633	7,918	285	0	
Waste & Street Cleansing	13,071	13,188	117	1%	Adverse
Waste Levy	18,101	18,101	0	0%	Balanced
Recycling, Waste Total	31,172	31,289	117	0	
Transport Levy	23,549	23,549	0	0%	Balanced
Transport Levy Total	23,549	23,549	0	0	
Surplus / (Deficit)	69,317	70,342	1,026	1%	Adverse

