POLICY AND RESOURCES COMMITTEE

Wednesday, 19 February 2025

REPORT TITLE:	2024/25 BUDGET MONITORING FOR QUARTER THREE (THE PERIOD TO 31 DECEMBER 2024)
REPORT OF:	DIRECTOR OF FINANCE

REPORT SUMMARY

This report sets out the financial monitoring information for the Council as at Quarter 3 (31 December) 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 3, the financial outlook has deteriorated further since quarter 2. Current estimates forecast an adverse outturn position of £22.590m on Directorate spend. This position is based on activity to date, projected trends in income and expenditure and changes to Council funding.

The Council has faced a severe financial challenge throughout the year to achieve a balanced budget. All possible measures to curtail spending and generate substantial cost savings have been applied. However, the current forecast shows that the Council will not be in a position to provide a balanced budget by financial year-end. Consequently, the Section 151 officer has submitted an application for Exceptional Financial Support (EFS) to the Ministry of Housing, Communities & Local Government (MHCLG).

To further stress the critical nature of the Council's financial position, within the Council's recent published Annual Audit Report for the year ending 31 March 2024, the external auditor issued a Statutory Recommendation, stating, "The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We (the auditors) recommend the Council take immediate action to manage the risks…"

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 £22.590m presented at Quarter 3 and the urgent need to examine all available options to address the position.
2. Note that the Director of Finance has made an application to the Ministry of Housing, Communities & Local Government (MHCLG) for Exceptional Financial Support and that the outcome of the application is still awaited.
3. Note the progress on delivery of the 2024/25 savings programme at Quarter 3.
4. Note the forecast level of reserves and balances at Quarter 3.
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 2024, 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 & 2, a critical financial position for the Council was reported, requiring 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 and the continued increase in demand for social care. This report sets out the updated revenue financial position at Quarter 3.

Economic Context

3.2 In November, Consumer Price Index (CPI) inflation rose to 2.6% (up from 2.3% in the previous month), driven largely by an increase in the energy price cap. While falling fuel prices exerted some downward pressure, a spike in transport and recreational inflation contributed to the increase. The rise in inflation means that the Bank of England may be more cautious at upcoming meetings, with further rate cuts not now expected until February 2025.

3.3 The Bank of England held the Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 0.25% cut from the 5.25% peak in August. The Authority’s treasury management adviser, Arlingclose, currently expects the Bank of England will continue reducing the bank rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year.

3.4 UK Gross Domestic Product (GDP) showed no growth between July and September 2024, following an initial estimate of 0.1% growth. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of interest rate cuts.

3.5 In this context, the Council must remain 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 3 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 3, against the Council's revised net revenue budget of £399.654m, there is a Directorate forecast adverse variance of £22.590m. After utilising the contingency budget and applying £2.5m of flexible use of capital receipts to fund transformational revenue spend, the adverse variance still to be mitigated stands at £19.546m.

TABLE 1: 2024/25 REVENUE BUDGET & FORECAST OUTTURN

	Budget	**Forecast Outturn**	**Variance**	
			(+ Adv / - Fav)	
	£000	£000	£000	**%**
Adult Care & Health	143,105	150,915	7,810	5%
Children, Families & Education	97,297	106,954	9,657	10%
Finance	19,260	22,481	3,221	17%
Law & Corporate Services	17,634	17,655	21	0%
Neighbourhoods Services	42,436	44,767	2,331	5%
Regeneration and Place	17,014	16,564	-450	-3%
Net Directorate Expenditure	**336,746**	**359,336**	**22,590**	**7%**
Levies	42,025	42,025	0	0%
Strategic Holding Account and Corporate Items	20,883	17,839	-3,044	-15%
Net Council Expenditure	**399,654**	**419,200**	**19,546**	**5%**

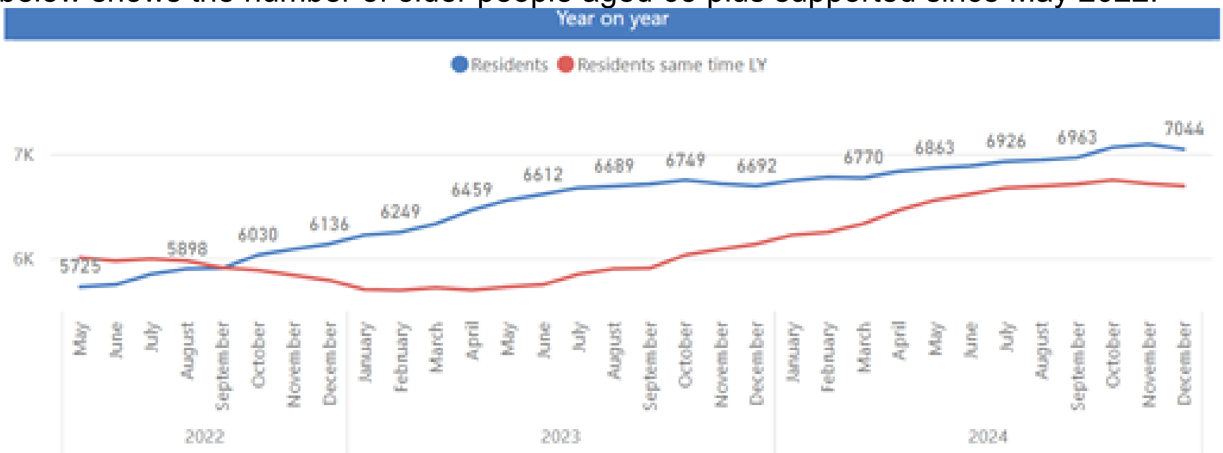
Notes:
* Forecast Outturn figures assume reserves movements shown in Table 3.

Significant aspects of revenue variances by directorate

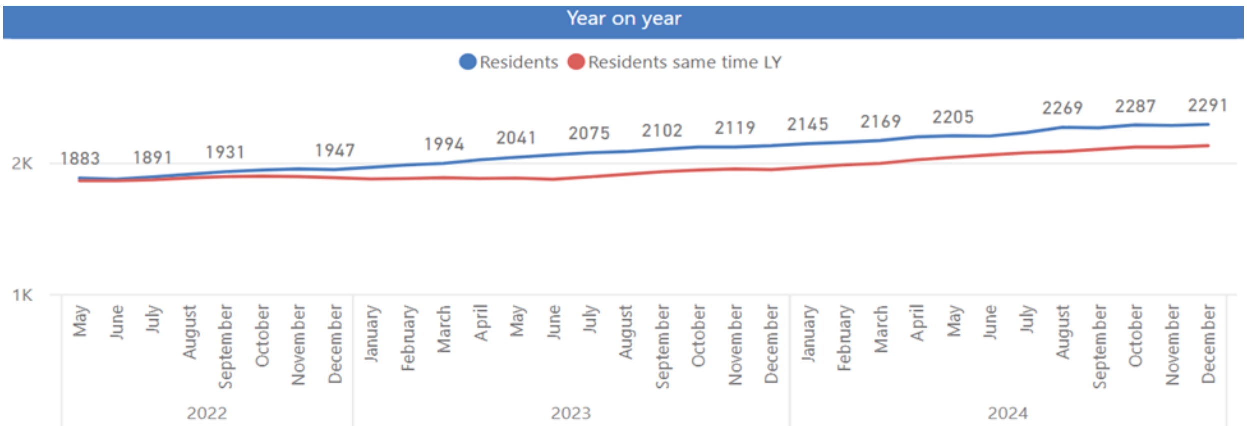
Adult Care & Health forecast adverse variance of £7.810m

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 £10.847m, this is partially offset by a £1.497m overachievement of client income which reflects the increased number of clients receiving support.

3.9 Older People Services: adverse variance of £5.046m
Pressures continue within residential and nursing settings, with the number of clients supported 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 winter months and activity over the festive period have placed increasing demands on the hospitals and subsequently requests for social care. The graph below shows the number of older people aged 65 plus supported since May 2022:



3.10 Mental Health and Disability Services: adverse variance of £2.477m
Community care reflects an adverse variance of £2.477m within complex care. There has been an increase in client numbers and an increase in complexity of 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 May 2022:



3.11 The Directorate's forecast overspend continues to be reviewed via weekly budget efficiency meetings with senior managers. These identify and manage mitigating actions which are being tracked and monitored over the financial year. Of the original full year savings target of £4.800m, £6.596m has been validated to date, however demand is currently continuing to outstrip the current mitigation programme.

3.12 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.

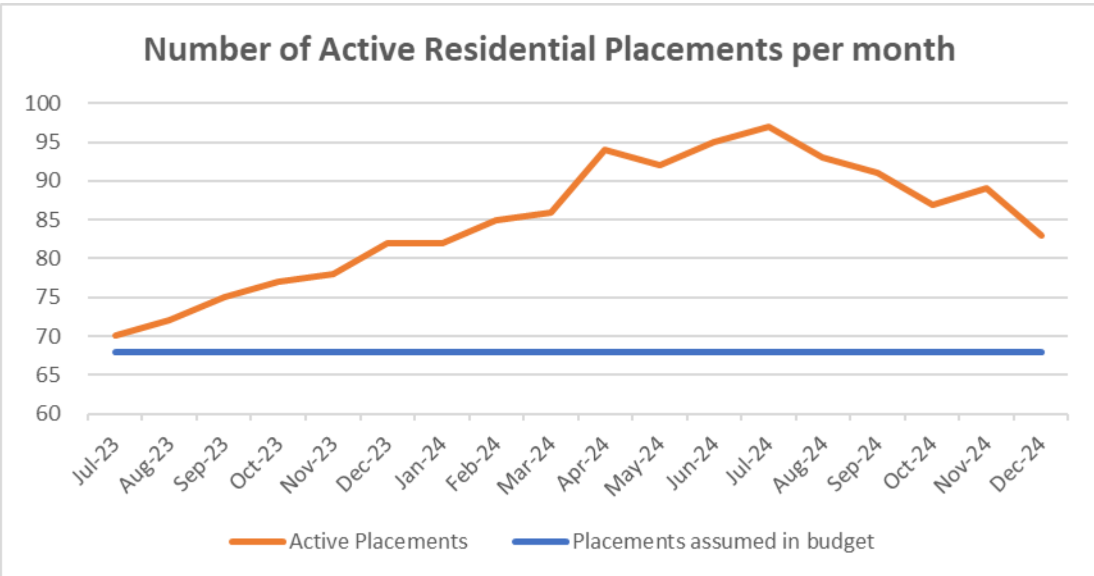
3.13 The Director continues to engage proactively with the NHS around a whole system approach. This is currently proving incredibly challenging due to the financial pressures within the Trust and the measures they have implemented to try and manage demand.

3.14 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 cannot be mitigated by savings within existing care packages / arrangements with winter pressures and the festive period exacerbating the pressures and demand.

Children, Families & Education forecast adverse variance of £9.657m

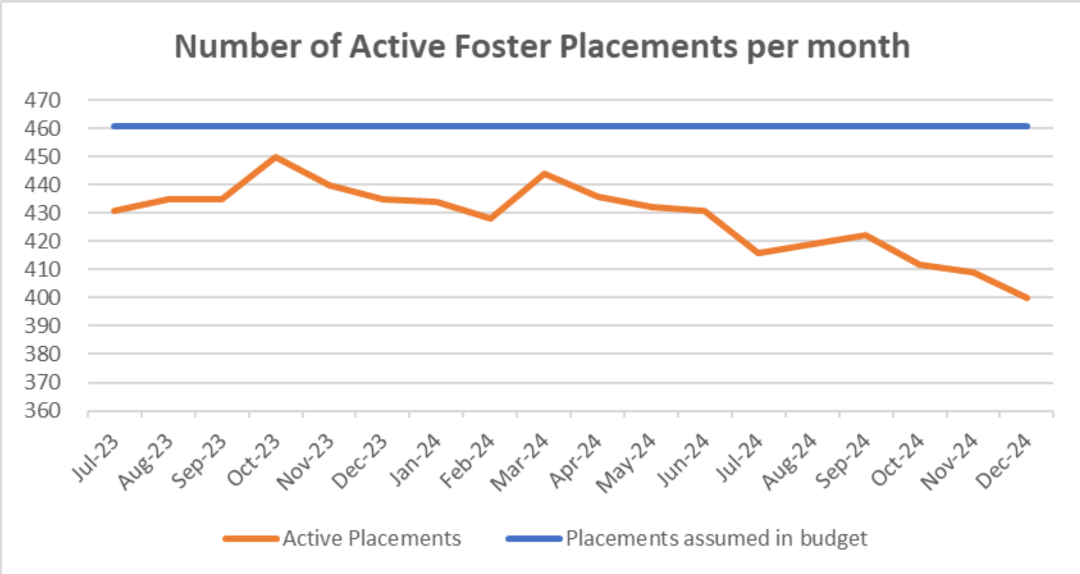
3.15 The main pressures within the Directorate continue to be in relation to Children Looked After, specifically children in residential placements and home to school transport.

3.16 Children and Families: forecast adverse variance of £8.032m
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 December 2024 the figure is 708. Despite an overall reduction in the numbers of children looked after (CLA), there are still significant pressures from the CLA placement costs. £6.575m of the forecast overspend for the year is in relation to placements (this is a reduction of £480k since Quarter 2). The graph below shows the number of residential placements since July 23.



3.17 Whilst the number of CLA has decreased, the number of residential placements rose from July 23 to July 24. From August 24 the numbers of children placed in a residential setting is beginning to steadily decrease as a consequence of the focus of the Care Programme. The Care Programme is a proactive step endorsed by the Children, Young People and Education Committee to mitigate the forecast overspends 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.

3.18 The average cost of a residential placement is currently £5,315 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:



3.19 Whilst there has been a slight decline in the number of children in foster care placements since September 24, this is not necessarily negative, as a number of children have either successfully returned home to their family environment or to a special guardianship order.

3.20 The workstreams of the Care Programme are 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 ensure effective monitoring and oversight. In relation to residential settings, the impact of the Programme can already be seen in the graph in section 3.16 above as a reduction in residential placements from July 2024 has been experienced. If this 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, however there has been a positive impact of £480k in year from the Quarter 2 position

3.21 Early Help, Prevention & Effectiveness: forecast favourable variance of £1.225m
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.

3.22 Education Core: forecast adverse variance of £2.549m
The pressure within the schools' core budget continues to be home to school transport which is forecasting a £3.379m overspend (£232k increase from Quarter

2). This is based on the current activity levels within the service and factors in a 7% increase in activity from the Spring term, 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 service-related reserves.

3.23 SEND Statutory Services: forecast adverse variance of £0.301m
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 were required to progress further improvement in SEND support and services. There has been a £40k movement since Quarter 2.

Finance forecast adverse variance of £3.221m

3.24 The Revenues and Benefits section has a long-standing court costs income target of approximately £1.6m. This target has proven challenging to meet, with projections for the 2024/25 financial year estimating only £0.8m in generated income. Discretionary care leavers relief and Housing Benefit Subsidy (HBS) are forecast to increase the budget challenge for these services of circa £1.2m. Recruitment is underway to bolster the service where demands are being seen in Housing Benefits and Debt management.

3.25 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 £0.7m in 2024/25 after use of £1.0m of reserves to support the service.

3.26 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 £0.021m

3.27 Members will recall that Law and Corporate Services was created as a Directorate at the beginning of 2024. While the overall financial position appears almost balanced, this is largely due to vacancies in Human Resources (HR) and Organisational Development (OD) and the Project Management Office (PMO) offsetting substantial financial pressures in other parts of the Directorate. Legal Services faces significant challenges in hiring permanent staff for the Safeguarding Section, agency costs in Legal currently are forecast to be £0.760m this year. 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. Recruitment is underway and some progress has been made in recent weeks where two locums have been replaced with permanent staff. 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.

3.28 Licensing income targets are projected to fall short by approximately £0.078m. 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.

3.29 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

3.30 The adverse forecast is due to a number of areas across the Neighbourhood Services Directorate. The significant areas to note are as follows:

3.31 Community Safety: Forecast adverse variance of £0.258m
£0.200m of the adverse variance relates to staffing pressures that are not budgeted for, with a further £0.040m from increases in costs in carrying out Domestic Abuse Death Reviews (DADR's) following a change in legislation. £0.018m relates to additional costs in alley gate critical repairs.

3.32 Highways and Infrastructure: Forecast adverse variance of £0.477m
A historic £0.500m income target, reliant on developer contributions from external projects within the Borough, of which £0.283m is considered unattainable. The Highways service has consulted the public and secured Committee approval 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 £0.250m 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 £0.282m, resulting in the expected £0.477m adverse position.

3.33 Leisure, Libraries and Customer Engagement: Forecast adverse variance of £1.211m
Leisure Services are projecting a £0.932m adverse position caused by staffing pressures and a lack of budget to cover premium payments and enhancements for rota hours and repairs and maintenance costs.
Library services face a projected adverse position of £0.430m, which includes:

- £0.130m in building repairs and maintenance costs.

- £0.150m shortfall in income targets, which have not been adjusted despite site reductions, changing customer behaviour and technological shifts.
- £0.130m in additional staffing costs, including premium payments and one-off employment related expenses.

These overspends are partly mitigated by a favourable variance relating to income from the customer contact centre operating within libraries, taking the overall expected outturn to £1.211m adverse.

3.34 Climate Emergency and Environment: Forecast adverse variance of £0.264m
The adverse position in the Climate Emergency and Environment Portfolio is caused by several factors. The Parks and Countryside Service has net favourable variances of £0.075m, from staffing underspends and crematorium and cemeteries income. There are pressures of £0.133m from the depot and fleet review that's not fully concluded and an adverse position of £0.035m 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 £0.194m relating to contractual pressures on the regional green waste treatment contract, the environmental enforcement scheme is not yet started and coastal area pressures from additional staffing requirement. This overall position is mitigated by several variances, namely allotment income of £0.023m.

3.35 The Directorate will continue to review all options to mitigate the overspend in year. This includes holding vacancies for recruitment and potentially reducing the level of service being provided.

Regeneration & Place forecast favourable variance of £0.450m

3.36 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:

3.37 Assets are currently forecasting a £0.300m adverse forecast. 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.

3.38 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.

3.39 Planning has a £0.700m adverse forecast. 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.

3.40 Regeneration has a £0.250m favourable position, due to the use of UKSPF funding the Business Support Service contract.

3.41 Housing has a £0.900m favourable forecast. This includes £0.150m of adverse pressure on the Homelessness service due to increasing demand but is offset by £0.600m favourable position on Supported Housing and the use of a number of external grant funding which has been secured to support the overall service.

3.42 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 £3.044m

3.43 Contingency funds of approximately £6m (including the energy contingency) 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. A further £1.2m has been allocated to fund the pay award across the Council; the 24/25 pay award, initially estimated to be around 3%, was agreed at approximately 4%. The remaining contingency funds sit in this budget area to offset the Council's overall adverse position.

3.44 The planned budget reduction from reviewing Enabling Services across the Council will not achieve its full target this financial year. However, the Council is making active progress identifying and implementing savings which are scheduled for delivery in the coming financial year. This strategic approach ensures that while immediate savings targets may not be met, sustainable cost saving measures are being developed for future implementation.

3.45 The quarter 3 position also includes a £1m pressure relating to lower Business Rates Section 31 grants than budgeted. The majority of this is due to a lower Net Rates Payable than estimated in the 2024/25 National Non-Domestic Rates Return (NNDR1) partially due to a larger than estimated impact of successful appeals and the new Council office buildings not yet being in the rating system, which in turn are expected to reduce S31 grants due for the multiplier cap

3.46 The application of £2.5m of Flexible Use of Capital Receipts (FUCR) is included in the forecast, to date, and will be applied to transformation-related revenue expenditure. NB. this has reduced slightly from the Q2 position to align with the level of expected capital receipts

3.47 A detailed revenue table is attached in Appendix 1.

Pressures to be managed.

3.48 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.

3.49 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.

3.50 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.

3.51 In September, the Director of Finance 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.

3.52 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.

3.53 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 forecast),
- Council wide spend freeze (implemented from 9 September 24),
- Maximising the use of capital receipts to finance transformation or revenue expenditure. (£2.5m already included in current forecast.),
- Reallocating earmarked reserves (£4.316m of non-ringfenced reserves could be utilised),
- Use of general fund balances (£13.8m available)
- Work with MHCLG to identify options for financial sustainability (an application for £20m of exceptional financial support has already been submitted)

3.54 The severity of the adverse financial position at Q3 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 submitted an application for exceptional financial support with MHCLG.

3.55 To further stress the critical nature of the Council's financial position, within the Council's Annual Audit Report for the year ending 31 March 2024, the external auditor made the following Statutory Recommendation, which Full Council has considered:

"The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We (the auditors) recommend the Council take immediate action to manage the risks this should include:

- *Identify additional savings and efficiencies to mitigate forecast overspends in 2024/25, especially in consideration of the Council's low level of reserves and the unfunded budget gap within the Council MTFS.*
- *Ensuring the Council has the necessary organisation grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.*
- *Satisfying itself that social care services have the required focus, skills, and capacity to ensure efficiency of delivery.*
- *Revising the robustness and relevance of performance reports, recently introduced, and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces.*
- *Reviewing the sufficiency of the finance team resources to the necessary capacity is in place to support the organisational responses to the critical financial position.*
- *Ensuring that member oversight of the Council's actions to address its financial challenges is optimal and reflects the significance of the situation."*

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 3 position highlights £22.590m 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 3.53. 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 3, the pay award has been agreed and monies previously held corporately have now been distributed. 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, £8.213m of the £12.390m savings targets are either delivered or on track to be delivered, representing two thirds 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
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	-1.533	0.000	-1.727	0.000
TOTAL	**-12.390**	**-8.213**	**-0.800**	**-3.377**	**-0.800**

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: £1.727m 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 Due to ongoing review of enabling services across the Council, the anticipated budget reductions for the current financial year will fall short of the intended target. Nevertheless, the Council is making active progress identifying and implementing savings which are scheduled for delivery in the coming financial year. This strategic approach ensures that while immediate savings targets may not be met, sustainable cost saving measures are being developed for future implementation.

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, just under 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	-974	0	5,953	0	0
Children, Families & Education	1,951	-1,119	0	688	144	0
Finance	1,467	-1,374	0	93	0	0
Law & Governance	211	-161	0	0	50	0
Neighbourhoods Services	122	-57	0	65	0	0
Regeneration and Place	19,399	-5,561	0	12,969	0	869
Other Corporate	25,429	-2,278	0	19,704	0	3,447
Total	**55,506**	**-11,524**	**0**	**39,472**	**194**	**4,316**
				Total Earmarked Reserves Forecast Closing Balance		**43,982**
General Fund Balances	**13,180**	**0**	**0**	**0**	**0**	**13,180**

3.69 The Council is currently forecast to have £43,982m of earmarked reserves at the end of the financial year 2024/25. Of this, £39.472m can be considered ringfenced, with specific conditions limiting their use, £0.194m is non ring fenced but already committed for specific purposes and £4.316m 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 3 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. An application for exceptional financial support has been submitted to MHCLG. 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, BIODIVERSITY AND CLIMATE CHANGE 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 15 Jan 25: Exceptional Financial Support Application
Council 14 Jan 25:
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
Policy and Resources Committee	**15 January 2025**
Full Council	**14 January 2025**
Policy and Resources Committee	**6 November 2024**
Policy and Resources Committee	**17 July 2024**
Full Council	**26 February 2024**
Policy and Resources Committee	**13 February 2024**
Environment, Climate Emergency and Transport Committee	**29 January 2024**
Tourism, Communities, Culture & Leisure Committee	**2 February 2024**
Children, Young People & Education Committee	**1 February 2024**
Economy Regeneration & Development Committee	**22 January 2024**
Adult Social Care and Public Health Committee	**23 January 2024**
Policy and Resources Committee	**8 November 2023**
Policy and Resources Committee	**4 October 2023**

APPENDIX 1 – Directorate Summary Financial Positions

	Budget	Forecast Outturn	Variance	
			(+ Adv / - Fav)	
	£000	£000	£000	%
Adult Care & Health				
Adult Social Care Central Functions	8,494	9,143	649	8%
Older People Services - WCFT	68,788	73,834	5,046	7%
Mental Health & Disability Services - CWP	59,306	61,783	2,477	4%
Other Care Commissions	-3	-4	-1	33%
Delivery Services	6,680	6,319	-361	-5%
Public Health - Central Functions	4,070	3,984	-86	0%
Public Health - Commissioned Services	19,899	20,319	420	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	-32,596	-33,599	-1,003	0%
Adult Care & Health Net Expenditure	**143,105**	**150,915**	**7,810**	**5%**
Children Families and Education				
Children and Families	61,124	69,156	8,032	13%
Early Help, Prevention & Effectiveness	14,749	13,524	-1,225	-8%
Education - Core	17,276	19,825	2,549	15%
SEND - Statutory	4,148	4,449	301	7%
Children Families and Education Net Expenditure	**97,297**	**106,954**	**9,657**	**10%**
Finance				
Finance & Investment	4,744	5,096	352	7%
Digital Data & Technology	10,219	10,905	686	7%
Revenues & Benefits	3,395	6,079	2,684	79%
Audit, Risk & Business Continuity	902	401	-501	-56%
Finance Net Expenditure	**19,260**	**22,481**	**3,221**	**17%**
Law & Corporate Services				
Human Resource & Organisational Development	5,398	4,897	-501	-9%
Corporate PMO and Business Change	2,673	2,387	-286	-11%
Law & Governance (Management)	573	694	121	21%
Legal Services	3,948	4,531	583	15%
Governance & Corporate Support	1,180	1,157	-23	-2%
Coroner Services	830	857	27	3%
Civic & Electoral Services	466	502	36	8%
Registrar Services	-129	-69	60	-47%
Licensing	-95	-9	86	-91%
Policy & Performance	771	750	-21	-3%
Comms & Marketing	991	943	-48	-5%

APPENDIX 1 – Directorate Summary Financial Positions

	Budget	Forecast Outturn	Variance (+ Adv / - Fav)	
	£000	£000	£000	%
Executive Support	666	586	-80	-12%
Members Support Team	245	235	-10	-4%
Committee Services	117	194	77	66%
Law & Corporate Services Net Expenditure	**17,634**	**17,655**	**21**	**0%**
Neighbourhoods				
Neighbourhoods Management Team	438	559	121	28%
Community Safety and Transport	1,865	2,123	258	14%
Highways and Infrastructure	7,219	7,696	477	7%
Leisure, Libraries and Customer Engagement	10,012	11,223	1,211	12%
Climate Emergency & Environment	22,902	23,166	264	1%
Neighbourhoods Net Expenditure	**42,436**	**44,767**	**2,331**	**5%**
Regeneration & Place				
Regeneration	2,254	2,004	-250	-11%
Housing	6,547	5,647	-900	-14%
Development & Investment	6,485	6,785	300	5%
Planning	1,328	1,728	400	30%
Local Plan	400	400	0	0%
Regeneration & Place Net Expenditure	**17,014**	**16,564**	**-450**	**-3%**
Directorate Net Expenditure	**336,746**	**359,336**	**22,590**	**35%**
Levies				
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%
Levies Net Expenditure	**42,025**	**42,025**	**0**	**0%**
Strategic Holding Account & Corporate Items				
Pension	-1,067	-1,067	0	0%
Treasury & Debt Management	24,217	24,620	403	2%
Other Corporate Items	4,209	762	-3,447	-82%
Public Health Recharge	-6,476	-6,476	0	0%
Strategic Holding Acc. & Corporate Items Net Exp.	**20,883**	**17,839**	**-3,044**	**-15%**
Total Net Expenditure	**399,654**	**419,200**	**19,546**	**5%**

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