

**Tourism, Communities, Culture and Leisure Committee****Thursday, 6 March 2025**

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

**REPORT SUMMARY**

This report sets out the financial monitoring information for the Tourism, Communities, Culture and Leisure Committee 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 1.624m against this Committees budget. 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 Tourism, Communities, Culture and Leisure Committee is recommended to:

1. Note the Directorate forecast adverse position of £1.624m 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. Approve the budget virements, as detailed in paragraph 3.22
5. Note the forecast level of reserves and balances at Quarter 3.
6. Note the capital position at the end of Quarter 3.

## **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, this Committee has a forecast adverse variance of £1.624m.

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

	Budget	Forecast Outturn	Variance (+ Adv / - Fav)	
	£000	£000	£000	%
Neighbourhood Safety	1,865	2,123	258	14%
Leisure, Libraries and Theatre	10,012	11,223	1,211	12%
Culture and Visitor Economy	413	413	0	0%
Regulatory Services	2,076	2,111	35	2%
Neighbourhoods Management Team	438	558	120	27%
Coroners	830	830	0	0%
Estate and Facilities Management - Cleaning	113	113	0	0%
<b>Net Committee Expenditure</b>	<b>15,748</b>	<b>17,372</b>	<b>1,624</b>	<b>10%</b>

Notes:

### Significant aspects of variances

#### 3.8 **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.

#### 3.9 **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.
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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.

- 3.10 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.

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

- 3.11 It is financially imperative and legally required that the Council report a balanced position at the end of the financial year. Failure to do so results in the Council's Section 151 officer having to produce a Section 114 report under the Local Government Act 1988.
- 3.12 A number of actions and projects have 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.
- 3.13 This is in addition to the ongoing transformation programme, elements of this will be accelerated in-year including the property rationalisation and the workforce reductions planned within the agreed budget. A robust vacancy management process has been agreed by SLT and implemented, consequently, any external recruitment will be undertaken by exception.
- 3.14 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.
- 3.15 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.
- 3.16 Below is a summary of the options available to help mitigate the Council 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)
- 3.17 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.

3.18 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**

3.19 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 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.

### **Budget Virements/ Amendments**

3.22 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.

3.23 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.

3.24 In terms of savings, the full £1.3m savings targets are delivered.

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

Directorate	Approved Saving £m	Green £m	Amber £m	Red £m	Mitigation £m
Neighbourhood Services	-1.300	-1.300	0.000	0.000	0.000

3.25 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

3.26 **TABLE 3: SUMMARY OF EARMARKED RESERVES**

Reserve	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Closing Balance £000
Sports Development Reserve	22	-22	0	0
Hilbre Island - Legacy	21	0	0	21
Library Donations	1	0	0	1
<b>Total</b>	<b>44</b>	<b>-22</b>	<b>0</b>	<b>22</b>

3.27 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.

3.28 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.

## Capital Programme

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

**TABLE 4: TOURISM, COMMUNITIES, CULTURE AND LEISURE COMMITTEE CAPITAL PROGRAMME 2024/25**

Scheme	2024/25				2025/26
	Budget at 01.04.24 £000	Q3 Forecast £000	Variance £000	Spend to 31 Dec 24 £000	Budget £000
Arts Council Capital LIF	21	15	-6	0	6
Ashton Park Lake	0	0	0	0	0
Bebington Oval Facility Upgrade	527	57	-470	19	470
Catering Units	160	0	-160	0	160
Consolidated Library Works Fund	213	0	-213	0	213
Defibrillators	12	12	0	0	0
Essential H&S Access Improvements @ Wirral Country Park	0	0	0	0	0
Essential H&S Infrastructure Improvements @ Wirral Country Park	193	193	0	139	0
Fitness Equipment	4	3	-1	3	1
Floral Pavilion	28	28	0	8	0

Future Golf - Project 1.1	317	31	-286	31	286
Guinea Gap Swimming Pool Support Fund	0	105	105	83	0
Library Radio Frequency Identification Kiosks	0	0	0	0	0
Moreton Youth Club & Library	993	100	-893	5	893
New Brighton Gym Equipment	3	3	0	2	0
Pool Covers	34	34	0	1	0
Solar Campus 3G	1	0	-1	0	1
Studio refurbishment Les Mills classes	15	0	-15	0	15
West Kirby Concourse/Guinea Gap Reception upgrade / improve	351	101	-250	0	250
West Kirby Marine Lake/Sailing Centre – accommodation	73	73	0	21	0
Williamson Art Gallery Catalogue	56	0	-56	0	56
Williamson Art Gallery Ventilation 21-22	288	0	-288	0	288
Wirral Tennis Centre - 3G Pitch	10	10	0	39	0
Wirral Tennis Centre - Facility Upgrade	0	0	0	5	0
Woodchurch Sports Pavillion	26	26	0	46	0
<b>Total Tourism, Communities, Culture and Leisure</b>	<b>3,325</b>	<b>791</b>	<b>-2,534</b>	<b>403</b>	<b>2,639</b>

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 This is the Quarter 3 budget monitoring report that provides information on the forecast outturn for the Tourism, Communities, Culture and Leisure 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. 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 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**

Tourism, Communities, Culture and Leisure Committee 24 Jul 24: Budget Monitoring and Budget Setting Processes Report.  
 CIPFA’s Financial Management Code

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Tourism, Communities, Culture and Leisure Committee	02 February 2023
Tourism, Communities, Culture and Leisure Committee	09 March 2023
Tourism, Communities, Culture and Leisure Committee	22 June 2023
Tourism, Communities, Culture and Leisure Committee	25 July 2023
Tourism, Communities, Culture and Leisure Committee	21 September 2023
Tourism, Communities, Culture and Leisure Committee	30 November 2023
Tourism, Communities, Culture and Leisure Committee	25 January 2024
Tourism, Communities, Culture and Leisure Committee	7 March 2024
Tourism, Communities, Culture and Leisure Committee	24 July 2024
Tourism, Communities, Culture and Leisure Committee	28 November 2024

## APPENDIX 1 – Detailed Revenue Budget

	Budget	Forecast Outturn	Variance		Adv/ Fav
	£000	£000	£000	%	
Neighbourhood Safety - Operations	1,865	2,123	258	14%	Adverse
<b>Neighbourhood Safety Total</b>	<b>1,865</b>	<b>2,123</b>	<b>258</b>	<b>0</b>	
Customer Contact Centre	855	626	-229	-27%	Favourable
Libraries	3,332	3,762	430	13%	Adverse
Museums	477	596	119	25%	Adverse
One Stop Shops	922	922	0	0%	Balanced
Theatre	461	416	-45	-10%	Favourable
Sports and Recreation	3,819	4,751	932	24%	Adverse
Sports Development	189	189	0	0%	Balanced
School Library Services	-42	-38	4	-9%	Adverse
<b>Leisure, Libraries and Theatre Total</b>	<b>10,012</b>	<b>11,223</b>	<b>1,211</b>	<b>0</b>	
Public Conveniences	113	113	0	0%	Balanced
<b>Estate and Facilities Management Total</b>	<b>113</b>	<b>113</b>	<b>0</b>		
Neighbourhoods Management Team	438	558	120	27%	Adverse
<b>Neighbourhoods Management Total</b>	<b>438</b>	<b>558</b>	<b>120</b>		
Environmental and Trading Standards	2,076	2,111	35	2%	Adverse
<b>Regulatory Services Total</b>	<b>2,076</b>	<b>2,111</b>	<b>35</b>	<b>0</b>	
Coroner	830	830	0	0%	Balanced
<b>Coroners Total</b>	<b>830</b>	<b>830</b>	<b>0</b>	<b>0</b>	
Culture & Visitor Economy	413	413	0	0%	Balanced
<b>Culture &amp; Visitor Economy Total</b>	<b>413</b>	<b>413</b>	<b>0</b>	<b>0</b>	
Surplus / (Deficit)	15,748	17,372	1,624	10%	Adverse

### Notes:

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