



## **ECONOMY REGENERATION AND HOUSING COMMITTEE**

**Wednesday, 12 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 REGENERATION AND PLACE</b>

### **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 on the performance of those budgets.

At the end of Quarter 3, there is a forecast favourable position of £450k against the £16.726m committee budget, by managing the use of grants and reserves to address the pressures being faced. This position is based on activity to date, projected trends in income and expenditure and changes to Council funding.

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

This is not a key decision and affects all wards.

### **RECOMMENDATIONS**

The Economy Regeneration and Housing committee is recommended to note:

1. the Committee forecast of a £450k favourable position against a budget of £16.726m at Quarter 3, managed by utilising grants and earmarked reserves;
2. the progress on delivery of the 2024/25 savings programme at Quarter 3;
3. the forecast level of reserves at Quarter 3; and
4. the capital position at 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 Council's treasury management adviser, Arlingclose, currently expects the Bank of England to 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 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 Committee's revised net revenue budget of £16.726m, the forecast is a favourable £450k position managed by utilising grants and earmarked reserves.

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

	Budget	Forecast Outturn	Variance	
	£000	£000	(+ Adv / - Fav) £000	%
Regeneration	1,897	1,647	-250	-13%
Housing	6,534	5,634	-900	-14%
Asset Management	6,570	6,870	300	4%
Planning	1,325	1,725	400	30%
Local Plan	400	400	0	0%
<b>TOTAL BUDGET</b>	<b>16,726</b>	<b>16,276</b>	<b>-450</b>	<b>-3%</b>

Notes:

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

### Regeneration & Place: 450k Favourable Position

- 3.8 The overall position for Regeneration & Place is favourable, this is due to pressures being managed by the Directorate. The variances are set out below.
- 3.9 Assets are currently forecast a £0.300m adverse forecast, as per the Q2. Commercial income continues to decline with a £0.300m adverse forecast as ongoing discussions with both current and potential tenants across the Council's 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.
- 3.10 Planning has a £0.700m adverse forecast, which is the same as Q2. 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. £300k of this pressure is currently being offset by use of reserves to give the £0.400m net adverse position.
- 3.11 Regeneration has a £0.250m favourable position, due to the use of UK Shared Prosperity Fund funding the Business Support Service contract.

- 3.12 Housing has a £0.900m favourable forecast. This includes £150k of adverse pressure on the Homelessness service due to increasing demand but is offset by a £600k favourable position on Supported Housing and the use of a number of external grant funding sources which have been secured to support the overall service.
- 3.13 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.

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

- 3.14 It is financially imperative and legally required that the Council reports 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.
- 3.15 A number of actions and projects have been taken by the Senior Leadership Team to try and address the overall position of the Council. This ranges from the development of joint commissioning activities within Adults and Childrens, panels reviewing high-cost placements, development of a strategy to increase foster care provision, implementation of the findings from the Home to School Transport review, a number of task and finish groups to address the outstanding issues within Leisure, Libraries and Highways and a review of the Housing Benefit subsidy issues.
- 3.16 This is in addition to the ongoing transformation programme, elements of this will be accelerated in-year including the property rationalisation and the workforce reductions planned within the agreed budget. A robust vacancy management process has been agreed by SLT and will be implemented. Consequently, any external recruitment will be undertaken by exception.

### **Budget Virements/ Amendments**

- 3.17 There has been a budget adjustment since Quarter 2 allocating the 2024/5 Pay Award from corporate budgets to the departments, following its approval.

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

- 3.18 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.
- 3.19 In terms of savings, £0.050m of the £0.050m savings targets are either delivered or on track to be delivered, representing 100% of the total savings target. The table below summarises the progress by Directorate:

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

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

3.20 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

3.21 On 1 April 2024, earmarked reserves totalled £55.506m and General Fund Balances totalled £13.180m. Of the total earmarked reserves, approximately a quarter will be spent in 2024/25, on the activities for which they were established.

**TABLE 3: SUMMARY OF EARMARKED RESERVES**

Directorate	Opening Balance £000	Use of Reserve £000	Contribution to Reserve £000	Analysis of Forecast Closing Balance £000		
				Ring-fenced	Non Ring-fenced (committed)	Non Ring-fenced
Regeneration and Place	19,399	-5,561	0	12,969	0	869

3.22 £3.091m of the Wirral Growth Company reserve is forecast to be utilised in 2024/25 to cover costs such as, the final dilapidation costs on exiting the Cheshire Lines Building lease once negotiations have concluded, abortive Market costs, as well as Birkenhead Commercial District costs. This is reduced from £6.985m in Q2 from the revised MRP policy around Finance leases.

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

## Capital Programme

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

	2024/25		2025/26	2026/27	2027/28	2028/29
<b>Scheme</b>	<b>Q3 Forecast £000</b>	<b>Actual Dec 24 £000</b>	<b>Budget £000</b>	<b>Budget £000</b>	<b>Budget £000</b>	<b>Budget £000</b>
Birkenhead Regeneration Framework	12	11	174	-	-	-
Birkenhead Waterfront Programme	8,336	4,066	20,741	1,511	-	-
Birkenhead Town Centre	531	391	15,604	4,500	-	-
Business Investment Fund	-	-	585	-	-	-
Capitalisation of Regen Salaries	1,108	-	1,145	1,100	-	-
Central Birkenhead Programme	11,778	8,806	8,055	1,628	-	-
Dock Branch Park Programme	371	434	580	-	-	-
Hamilton Park enabling wks-Bhead Regen Delivery	30	9	126	-	-	-
Hind Street Programme	3,037	266	17,942	32,360	-	-
Liscard Town Centre	413	89	1,774	5,000	5,000	-
Local Authority Housing Fund 2	4,308	2,203	-	-	-	-
New Brighton Regeneration Delivery	7	7	-	-	-	-
New Ferry Projects	1,400	723	4,315	5,000	-	-
Regeneration Delivery Resources	150	-	1,650	500	-	-
Strategic Acquisition Fund	812	-	-	-	-	-
Strategic Acquisitions - Capital Enhancements	526	-	500	500	500	-
Wirral Waters	-	-	6,255	6,000	-	-
Aids, Adaptations and Disabled Facility Grants	7,999	4,203	5,861	5,100	5,100	5,100
Empty Property Grant Scheme	308	183	-	-	-	-
Property Pooled Plus I.T System	6	-	3	3	-	-
West Kirby Masterplan	21	13	-	-	-	-
<b>Total Economy, Regeneration and Housing</b>	<b>41,153</b>	<b>21,404</b>	<b>85,310</b>	<b>63,202</b>	<b>10,600</b>	<b>5,100</b>

- 3.24 Given the budgetary pressures that the Council faces, a review of the Programme continues to try and identify schemes that may no longer be financially viable, essential, or deliverable.
- 3.25 New additional awards of grant have been received during Quarter 3 relating to the Capital Programme:

**Aids, Adaptations and Disabled Facility Grants – Better Care Fund, Department for Levelling Up Housing & Communities (MHCLG): £0.709m**

- 3.26 Additional Grant has been received as part of the Aids, Adaptations and Disabled Facilities Grant Funding for 2024/25. This is an increase of £0.709m.

**3Aids, Adaptations and Disabled Facility Grants – Better Care Fund (MHCLG): £0.761m**

- 3.27 The confirmed allocation for the Aids, Adaptations and Disabled Facilities Grant Funding for 2025/26 is £5.861m an increase of £0.761m on the estimate made in Q2.

**Birkenhead Market – Abortive costs**

- 3.28 The abortive costs relating to the previous Market, circa £1.5m, as previously agreed at Policy & Resources Committee will be funded by the Wirral Growth Company Reserve. This means the original funding from the Future High Street Fund (now a part of the Pathfinder Grant) will be added back to the Regeneration Capital Programme.

**Minimum Revenue Provision (MRP) Policy**

- 3.29 It is proposed to amend the Council's MRP policy to allow that should the Council enter into a lease agreement where the lease term is shorter than the useful life of the asset being leased, the Council may instead charge MRP over the useful economic life of the asset.

**Hind Street Development – Capital Receipts**

- 3.30 The Director of Finance has agreed that the Council will 'ring-fence' any payments received for Hind Street under the Master Development Agreement (MDA) in a new "Landowner Viability Account". Any payments received by the Council shall be allocated to the notional Landowner Viability Account (rather than being freely available for the Council). The sums allocated into the Landowner Viability Account can be "recycled" into the Development to assist the Council and Developer (as partes to the MDA) in carrying out the Hind Street Development and applied where appropriate to cross subsidise development of a plot which would not be viable without such cross subsidy or to cross subsidise enhanced infrastructure, public realm works, etc. for a plot or the site as a whole.

**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 Policy & Resources report on 6 November 2024, 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 Section 25 of the Local Government Act 2003 requires 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 2024, 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 IMPLICATIONS

- 10.1 This report has no direct environmental implications; however, due regard is given as appropriate in respect of procurement and expenditure decision-making processes that contribute to the outturn position.

## 11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 In year activity will have incorporated community wealth implications. Consideration would have taken account of related matters across headings such as the following:
- **Progressive Procurement and Social Value**  
How we commission and procure goods and services. Encouraging contractors to deliver more benefits for the local area, such as good jobs, apprenticeship, training & skills opportunities, real living wage, minimising their environmental impact, and greater wellbeing.
  - **More local & community ownership of the economy**  
Supporting more cooperatives and community businesses.  
Enabling greater opportunities for local businesses.  
Building on the experience of partnership working with voluntary, community and faith groups during the pandemic to further develop this sector.
  - **Decent and Fair Employment**

Paying all employees a fair and reasonable wage.

- **Making wealth work for local places**

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## **APPENDICES**

APPENDIX 1 – Reserves Summary Position

## **TERMS OF REFERENCE**

This report is being considered by the Economy, Regeneration and Housing Committee in accordance with Section (i) of its Terms of Reference in providing a view of performance, budget monitoring and risk management in relation to the Committee's functions.

## **BACKGROUND PAPERS**

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

Bank of England – Monetary Policy Report

CIPFA's Financial Management Code

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Policy and Resources Committee</b>	<b>19 February 2025</b>
<b>Economy Regeneration &amp; Housing Committee</b>	<b>4 December 2024</b>
<b>Policy and Resources Committee</b>	<b>6 November 2024</b>
<b>Economy Regeneration &amp; Housing Committee</b>	<b>16 July 2024</b>
<b>Full Council</b>	<b>26 February 2024</b>
<b>Policy and Resources Committee</b>	<b>13 February 2024</b>
<b>Economy Regeneration &amp; Housing Committee</b>	<b>22 January 2024</b>
<b>Policy and Resources Committee</b>	<b>8 November 2023</b>
<b>Policy and Resources Committee</b>	<b>4 October 2023</b>