

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	Thursday 7 March 2024
<b>Subject:</b>	Financial Management 2023/24 to 2026/27 - Revenue and Capital Budget Update 2023/24 – March Update		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

To inform **Cabinet** of:

- 1) The current position relating to the 2023/24 revenue budget.
- 2) The current forecast on Council Tax and Business Rates collection for 2023/24.
- 3) The monitoring position of the Council's capital programme to the end of January 2024:
  - The forecast expenditure to year end.
  - Variations against the approved budgets and an explanation of those variations for consideration by Members.
  - Updates to spending profiles and proposed amendments to capital budgets necessary to ensure the efficient delivery of capital projects.
- 4) The latest prudential indicator, performance and risk management information for 2023/24.

### Recommendation(s):

**Cabinet** is recommended to:

#### Revenue Budget

- 1) Note the current position relating to the 2023/24 revenue budget.
- 2) Note the actions being taken to refine forecasts and identify mitigating efficiencies to ensure each service achieves a balanced position.
- 3) Recognise the financial risks associated with the delivery of the 2023/24 revenue budget and acknowledge that the forecast outturn position will continue to be reviewed, and remedial actions put in place, to ensure a balanced forecast outturn position and financial sustainability can be achieved.

### **Capital Programme**

- 4) Note the spending profiles across financial years for the approved capital programme (paragraph 7.1).
- 5) Recommend to Council the approval of a supplementary capital estimate for £2.644m for the Food Waste Collection grant externally funded by Defra (paragraphs 7.3-7.4).
- 6) Note the latest capital expenditure position as at 31 January 2024 of £26.793m (paragraph 7.5); the latest full year forecast is £46.241m (paragraph 7.6).
- 7) Note that capital resources will be managed by the Executive Director Corporate Resources and Customer Services to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council (paragraphs 7.9-7.11).

### **Prudential Indicators**

- 8) Note the forecasts for the Prudential Indicators relating to capital expenditure and financing as at 30th December 2023.

### **Performance**

- 9) Note the latest position relating to key performance measures.

### **Risk Management**

- 10) Note the latest position relating to key risk management areas.

### **Reasons for the Recommendation(s):**

To ensure Cabinet are informed of the current position in relation to the 2023/24 revenue budget.

To provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

To keep members informed of the progress of the Capital Programme against the profiled budget for 2023/24 and agreed allocations for future years.

To progress any changes that are required in order to maintain a relevant and accurate budget profile necessary for effective monitoring of the Capital Programme.

To approve any updates to funding resources so that they can be applied to capital schemes in the delivery of the Council's overall capital strategy.

To ensure Cabinet are informed of prudential indicators, key performance information and key risk management areas.

### **Alternative Options Considered and Rejected: (including any Risk Implications)**

N/A

## What will it cost and how will it be financed?

### (A) Revenue Costs

The report indicates that for 2023/24 following the implementation of the recommendations contained in this report that an overspend position of £1.555m is currently forecast and that further work is being undertaken to refine forecasts and identify mitigating efficiencies to ensure each service achieves a balanced position. Further mitigating actions are proposed in this report to ensure the Council returns to a balanced forecast outturn position-if these actions are not available within the approved budget, existing reserves and balances may need to be used.

### (B) Capital Costs

The Council's capital budget in 2023/24 is £47.092m. As at the end of January 2024 expenditure of £26.793m has been incurred and a full year outturn of £46.241m is currently forecast.

## Implications of the Proposals:

### Resource Implications (Financial, IT, Staffing and Assets):

Currently an overspend position of £1.555m is currently forecast for 2023/24, pending further work to refine forecasts and identify mitigating efficiencies. Further mitigating actions are proposed in this report to ensure the Council returns to a balanced forecast outturn position. However, it should be noted that significant pressure and risk remains in a number of areas, particularly relating to Children's Social Care. If budgets experience further demand and inflationary pressure during the remainder of the year further corresponding savings or financial contributions will need to be identified and approved by members.

### Legal Implications:

None

### Equality Implications:

There are no equality implications.

### Impact on Children and Young People: Yes

The report highlights the current financial position relating to services provided for Children and Young People.

### Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

The allocations of capital funding outlined in section 7 may be spent on projects that will

have a high climate change impact as they could relate to new build, rebuild, refurbishment, retrofit and demolition proposals. Environmental consideration will be taken into account when specific projects are designed and tendered – which will help to mitigate negative impacts.

**Contribution to the Council's Core Purpose:**

Effective Financial Management and the development and delivery of sustainable annual budgets support each theme of the Council's Core Purpose.

**Protect the most vulnerable:**

See comment above.

**Facilitate confident and resilient communities:**

See comment above.

**Commission, broker and provide core services:**

See comment above.

**Place – leadership and influencer:**

See comment above.

**Drivers of change and reform:**

See comment above.

**Facilitate sustainable economic prosperity:**

See comment above.

**Greater income for social investment:**

See comment above.

**Cleaner Greener:**

See comment above.

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources & Customer Services is the author of the report (FD 7562/24)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 5662/24).

**(B) External Consultations**

N/A

**Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting.

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**Appendices:**

The following appendix is attached to this report:

- APPENDIX A – Capital Programme 2023/24 to 2025/26
- APPENDIX B – Summary Performance Report 2023/24 – Quarter 3
- APPENDIX C – Corporate Risk Register – February 2024

**Background Papers:**

There are no background papers available for inspection.

## 1. **Introduction**

- 1.1 On 2 March 2023, Members approved the Budget for the financial year 2023/24. This budget was developed throughout the preceding nine months and took account of all known issues. Within that report, and as with previous years, the inherent financial risk within the budget, especially with respect to Children's Services, was identified. This was further reflected within the reserves' strategy for the Council, as reported in the Robustness Report also presented to Budget Council.
- 1.2 This report is the eighth and final of the Council's monthly budget monitoring reports for 2023/24 and updates the revenue forecast outturn position for all services, including the pressures that have materialised since the budget was set.
- 1.3 The report also outlines the current position regarding key income streams for the Authority, namely Council Tax and Business Rates. Variations against expected receipts in these two areas will also affect the Council's financial position in future years.
- 1.4 The capital section of the report informs Members of the latest estimate of capital expenditure for 2023/24 and forecast expenditure for 2024/25 and 2025/26. The capital budget to date is presented in paragraph 7.1. Paragraphs 7.2 to 7.8 review progress of the capital programme, including additional capital schemes. Finally, paragraphs 7.9 to 7.11 confirm that there are adequate levels of resources available to finance the capital programme.
- 1.5 This report also includes the quarter three position on the Council's Prudential Indicators, key performance measures and key risk management areas.

## 2. **Revenue Budget 2023/24 – Forecast Outturn Position as at the end of January 2024**

- 2.1 Members are provided with updates of the Council's forecast financial revenue position each month during the financial year from July. As would be expected as the forecast develop through the year, they become more robust and can inform decision making. The Council adopted this approach by developing its in year remedial budget actions on the back of the mid-year review position and this report builds on that.
- 2.2 As at the end of January 2024, the forecast outturn shows a net overspend on services of **£9.911m**, the majority of which relates to potential additional pressure within Children's Social Care, Adult Social Care and Education Excellence as well as the impact of the local government pay award. It should be noted that the majority of services are reporting a balanced position or are implementing local remedial actions to return a balanced position at this stage. As with all organisations at this time, the Council is operating in a very challenging financial environment. However, it is vital that the Council achieves a balanced forecast outturn position to ensure its financial sustainability. Actions to meet some of the forecast overspend were approved as part of previous reports in November 2023 (£4.795m) and February 2024 (£3.561m). The net overspend following these approved actions is £1.555m.

2.3 The table below highlights the variations across services that make up the £1.555m forecast overspend, including approved mitigating actions:

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Variance to December</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Services</u></b>				
Strategic Management	3.939	4.052	0.113	-0.002
Adult Social Care	111.271	113.764	2.493	0.000
Children's Social Care	81.581	88.136	6.555	0.403
Communities	12.068	11.933	-0.135	0.000
Corporate Resources	7.623	7.397	-0.226	-0.016
Economic Growth & Housing	6.672	6.672	0.000	0.000
Education Excellence	15.517	17.247	1.730	0.209
Health & Wellbeing	19.645	18.796	-0.849	-0.057
Highways & Public Protection	10.973	10.777	-0.196	-0.077
Operational In-House Services	17.603	17.806	0.203	0.137
Energy Costs	4.200	4.200	0.000	0.000
Additional Pay Award Cost	0.000	1.400	1.400	0.000
<b>Total Service Net Expenditure</b>	<b>291.092</b>	<b>302.180</b>	<b>11.088</b>	<b>0.597</b>
Mitigating Actions approved in November 2023	0.000	-4.795	-4.795	0.000
Mitigating Actions approved in February 2024	0.000	-3.561	-3.561	0.000
Council Wide Budgets	11.918	10.741	-1.177	-0.015
Levies	36.193	36.193	0.000	0.000
General Government Grants	-84.086	-84.086	0.000	0.000
<b>Total Net Expenditure</b>	<b>255.117</b>	<b>256.672</b>		
<b><u>Forecast Year-End Deficit</u></b>			<b><u>1.555</u></b>	<b><u>0.582</u></b>

2.4 The key areas relating to the outturn position are as follows:

- **Adult Social Care** – Initial forecasts assumed that the Adult Social Care budget will break-even during 2023/24. However, there are a number of significant assumptions and uncertainties that could impact on this position before the year-end. The service has also committed to a number of efficiencies and savings that amount to £5.7m, in order to meet the savings approved as part of the approved 2023/24 budget plus additional savings to meet the additional budgetary pressures arising from the increases in provider fees approved at Cabinet meetings in June

2023. The achievement of these savings will be carefully monitored throughout the year. At this time over £5.5m of the £5.7m of savings have been delivered.

Like all councils, the Service is experiencing growth pressure with demand for services and are seeking to meet the cost of this within the resources available, including taking account of the additional funding from Central Government that is being made available to councils to meet increases in demand and financial pressure including those that maybe experienced during winter and in respect of discharges. Given the pressures being faced a forecast overspend of £2.493m is reported which is the same as last month. Further work will continue to be undertaken to understand the pressures and refine forecasts. Work will also continue to explore options to ensure that any potential overspend is reduced. As would be expected with a budget of this size and volatility, this remains a key risk during the current year.

- **Children's Social Care** – The current forecast for the service shows a potential overspend of £6.555m, an increase of £0.403m on last month. However, there are a number of significant assumptions and uncertainties that could impact on this position before the year-end. Further work is being undertaken to understand the pressures and refine forecasts.

Members will be aware that the 2023/24 approved budget included an additional £21m of investment in the service based on the requirement for additional staffing (including temporary funding for additional agency costs whilst more permanent staff are recruited to, including International Social Workers and from staff coming through the social work academy) as well as additional resources to reflect the number of packages at the time, some potential growth as well as resource for inflationary pressures.

The current forecast for staffing is an overspend of £1.161m. There was a clear set of assumptions originally driving the forecast in terms of when expensive project/court teams will leave the Council as new staff are onboarded from the International Social Worker cohort and the academy. As these assumptions have changed the forecasts have been revised with additional pressure being experienced. This is also a key aspect of budget setting and medium-term financial planning.

Certain areas of accommodation and support packages are forecast to overspend by £4.807m, partly due to additional packages in the late part of 2022/23 and early part of 2023/24. As mentioned in reports last year, packages initially have been at a higher cost than previously seen. However, recently improvements in practice have resulted in more children being placed in more appropriate settings at a lower cost. This is expected to continue throughout the year. Work is currently being undertaken to review forecasts for all types of care settings based on a number of children being in higher cost settings for shorter periods, which is expected to significantly impact on the forecast. In addition, where numbers and costs of Children with Disabilities has increased, specialist work is being undertaken to ensure health are making the appropriate contributions to the cost of care.

This is the key aspect of this financial forecast- the service is stabilising and as this takes place the review of placements will also be undertaken. At present the assumption is that all support, unless known otherwise, will continue for the whole



of the financial year and for a number of placements this will not be the case. Senior managers are reviewing these, and the forecast will be updated accordingly.

Members will recall that in the budget reports it was advised that a tolerance of 5% on the budget could be expected based on advice from the DfE commissioner-based on the service budget that would amount to £4m. This current forecast is higher than that at present before the outcome of the additional reviews is to be built in.

In considering this forecast, work will also be undertaken to determine if any of this pressure is temporary or permanent in nature and needs reflecting in future budget setting processes. At present as a lot of this pressure arose from 2022/23 and the start of the financial year it is estimated that the future years impact is modest at this stage.

- **Corporate Resources** – The service had previously forecast a balanced position. However, in light of the overall budget position, the Service reviewed budgets further to identify areas where savings could be made. The forecast is for an underspend of £0.226m. Based on the latest information, functions within the service are therefore forecasting an underspend of £0.850m. However, there is pressure within the ICT budget from inflation on contracts that is in excess of the provision made and a loss of income from School SLAs as a result of a change in the contractual arrangement enforced by the provider for which the Council has no control. These two pressures amount to £0.624m, which is offset by the underspends across the Service. As stated, all services are underspent, and significant cost control will continue to be required between now and the year end to deliver the current forecast position.
- **Economic Growth and Housing** – The service is showing a balanced position. However, based on the latest information, functions within the service are forecasting an overspend of £0.097m, although the service are currently examining forecasts. Additional cost control will be required between now and the year end to deliver that balanced position and this position will be updated in future reports.
- **Education Excellence** – The current forecast shows a potential net overspend of £1.730m, this relates to the provision of additional SEND staff and Home to School Transport. The service is reviewing all forecasts to identify areas that will offset costs of the additional SEND staff. Members will recall that in the budget substantial funding was added to the Home to School Transport budget, but this budget has come under further pressure due to the increase in the number of EHCPs being completed and the resulting pressure in the Service.
- **Additional Pay Award Provision** – The approved Base Budget included a provision for the 2023/24 pay award of around 4.5%. This was line with most other local authorities who had budgeted for similar amounts. The offer from the National Employers for local government services body is for a fixed increase of £1,925, with a minimum of 3.5% (similar to the increase in 2022/23). For Sefton, this equates to an increase in the pay bill of about 6.0% or an additional £1.400m above the amount included in the 2023/24 budget. It should be noted that this offer has now been accepted by trade unions.

### **3. Revenue Budget Summary 2023/24**

- 3.1 An overspend of **£1.555m** is currently forecast. However, as mentioned in section 2, this is a forecast based on a number of uncertainties and assumptions, particularly around Adult and Children's Social Care which remain volatile. Additional work will continue to be undertaken across service areas to refine the forecasts and identify mitigating efficiencies to ensure each service achieves a balanced budget position. In Children's Social Care forecasts will be refined to take into account the improvements in practice that have seen children being placed in more appropriate settings, as well as the anticipated reduction in the number of Looked After Children, however the key risk is the staffing budget with the timing of transition between project/court teams and new permanent staff that will support a skilled and stable workforce the key variable that could impact the budget.
- 3.2 As mentioned, the Council must achieve an overall balanced position to ensure its financial sustainability. As an overall forecast overspend remains a remedial action plan to meet the residual balance has been produced and is presented below for members' approval.

#### **Proposed Remedial Actions**

- 3.3 After the mitigating actions approved by Cabinet in November 2023 and February 2024, there is still a forecast overspend of **£1.555m**. It is proposed to continue with the adoption of financial principles used in previous years, to enable a balanced forecast outturn position to ensure the Council's financial sustainability. This will include cost control in relation to recruitment, non-essential expenditure and no further growth items / additionality.

#### **Summary 2023/24**

- 3.4 An overspend of **£1.555m** is currently forecast. However, this represents the current position that has been forecast to the year end- in the event that further pressure is experienced, further remedial action will be required. As a result of using the options above, there is no flexibility left for the use of existing reserves or general balances- as a result this pressure, and any further pressure, will need to be met from within the existing Council budget and delivery monitored carefully and reported to Cabinet.
- 3.5 Should there still be a residual overspend at year end, this will need to be funded by general balances and as part of the budget process for 2024/25 the Council will need to increase these back to the previous level taking into account the risks faced by the Council and the assessment of their adequacy as described in the S151 Officer's Robustness report.

### **4. Council Tax Income – Update**

- 4.1 Council Tax income is shared between the billing authority (Sefton Council) and the three major precepting authorities (the Fire and Rescue Authority, the Police and Crime Commissioner and the Combined Authority – Mayoral Precept) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £160.236m for 2023/24 (including Parish Precepts), which represents 84% of the net Council Tax income of £191.139m.

- 4.2 The forecast outturn for the Council at the end of January 2024 is a surplus of £1.237m. This variation is primarily due to: -
- The surplus on the fund at the end of 2022/23 being higher than estimated (-£0.314m).
  - Gross Council Tax Charges in 2023/24 being higher than estimated (-£0.497m).
  - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£0.751m).
  - A reduction in the amount set aside for Bad Debts (-£1.177m)
- 4.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2023/24 but will be carried forward to be recovered in future years.
- 4.4 A forecast surplus of £2.045m was declared on the 17 January 2023 of which Sefton's share is £1.716m (83.9%). This is the amount that will be recovered from the Collection Fund in 2023/24.
- 4.5 A forecast surplus of £1.548m was declared on the 16 January 2024 of which Sefton's share is £1.299m (83.9%). This is the amount that will be recovered from the Collection Fund in 2023/24. Any additional surplus or deficit will be distributed in 2025/26 and future years.

## 5. **Business Rates Income – Update**

- 5.1 Since 1 April 2017, Business Rates income has been shared between the Council (99%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £62.388m for 2023/24, which represents 99% of the net Business Rates income of £63.018m. Business Rates income has historically been very volatile making it difficult to forecast accurately.
- 5.2 The forecast outturn for the Council at the end of January 2024 is a surplus of -£10.935m on Business Rates income. This is due to:
- The surplus on the fund at the end of 2023/24 being higher than estimated (-£9.916m).
  - Reduction in the gross charge on rateable properties (+£0.234m).
  - A number of reliefs announced for 2023/24 were assumed in the NNDR1 return with the loss of income as a result of these reliefs covered by Section 31 grant payments. It is now forecast that the value of these reliefs will be less than anticipated (-£0.295m).
  - Adjustments relating to prior years (-£0.958m)
- 5.3 When taking into account the lower Section 31 grants due on the additional reliefs, a net surplus of £9.744m is forecast.

- 5.4 Due to Collection Fund regulations, a Business Rates deficit will not be transferred to the General Fund in 2023/24 but will be carried forward to be recovered in future years.
- 5.5 A forecast surplus of £12.836m was declared in January 2023. Sefton's share of this is £12.708m. This is the amount that will be distributed from the Collection Fund in 2023/24. Any additional surplus or deficit will be distributed in 2024/25 and future years.
- 5.6 A forecast surplus of £11.119m was declared in January 2024. Sefton's share of this is £11.008m. This is the amount that will be distributed from the Collection Fund in 2024/25. Any additional surplus or deficit will be distributed in 2025/26 and future years.

## 6. **High Needs Budget**

- 6.1 Cabinet and Council have agreed to receive quarterly reports from the Executive Director of Children's Social Care and Education and the Assistant Director of Children's Services (Education) with regard to the High Needs budget and the changes that are proposed, details of sufficiency planning, the Council's engagement on the Delivering Better Value Programme and the current high needs deficit and the risk around future central government decision making in respect of this deficit.
- 6.2 The latest report was presented to Cabinet in July 2023, providing detail on the current monitoring position relating to the High Needs budget. A further report will be presented to the April 2024 meeting of Cabinet.

## 7. **Capital Programme 2023/24 – 2025/26**

### **Capital Budget**

- 7.1 The Capital Budget and profile of expenditure for the three years 2023/24 to 2025/26 is as follows:

<b>2023/24</b>	<b>£47.092m</b>
<b>2024/25</b>	<b>£66.322m</b>
<b>2025/26</b>	<b>£53.733m</b>

- 7.2 The following updates have been made to the capital programme budget since the previous budget report to Cabinet in February:

- **Adult Social Care:**

- A virement has been completed under delegated authority to transfer £0.100m to the Careline Digital Switchover project by reprioritising resources from other social care projects.
- £0.080m has been rephased to 2024/25 for Technology Enabled Care Equipment purchases.

- **Economic Growth & Housing:**
  - £0.100m has been rephased to 2024/25 for the Cambridge Road Centre redevelopment project.
  - £0.058m has been rephased to 2024/25 for an ongoing programme of strategic acquisitions in Ainsdale.
  - £0.600m has been rephased to 2024/25 for the Brownfield Development Fund to be issued to Sandway Homes for work on land at Bentham's Way.
  
- **Education Excellence** – The following school's schemes have been rephased to 2024/25:
  - £0.061m Hatton Hill Roof Refurbishment
  - £0.232m Merefield - Roof Refurbishment / Playground Surfaces
  - £0.199m Rowan High – Replace Flat Roof
  - £0.498m Formby High – Conversion of Caretakers House
  
- **Highways and Public Protection** – the following schemes which have been planned across two financial years have now been reviewed and rephased due to the prioritisation of other Highways work:
  - £0.185m Accessibility
  - £0.066m Healthy Lifestyles
  - £0.050m Road Safety
  - £0.114m A565 Route Management
  - £0.054m A59 Route Management
  - £0.465m Strategic Planning
  - £0.100m Drainage
  - £0.313m Urban Traffic Control
  
- **Operational In-House Services:**
  - £0.129m has been rephased to 2024/25 for Flood and Coastal Erosion Monitoring Schemes.
  - £0.051m has been rephased to 2024/25 for Tree Planting Schemes.

### **Food Waste Collections Grant**

- 7.3 The Government made an announcement in October 2023 regarding its approach to Simpler Recycling across England and reforms to household and business bin collections including the introduction of weekly food waste collections. This will come into effect for households from 1 April 2026, as required under s45A of the Environmental Protection Act 1990 (introduced by the Environment Act 2021).
- 7.4 The Council has received confirmation from the Department for Environment, Food and Rural Affairs in February of an allocation of capital transitional grant to support the delivery of weekly food waste collections. The capital funding is for the purchase of food waste bins (this includes internal kitchen caddies, external kerbside caddies and communal bins) and food waste collection vehicles, provided on a non-ring-fenced basis. Sefton's total allocation of grant for 2023/24 is £2,644,182.

### **Budget Monitoring Position to January 2024**

- 7.5 The current position of expenditure against the budget profile to the end of January 2024 is shown in the table below. It should be noted that budgets are profiled dependent upon the timing of when works are to be carried out and the anticipated

spend over the financial year. The budget to date in the table below reflects the profiles of each individual scheme.

	<b>Budget to January</b>	<b>Actual Expenditure to January</b>	<b>Variance to January</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Services</u></b>			
Adult Social Care	4.563	4.091	-0.474
Children's Social Care	0.284	0.409	0.125
Communities	0.517	0.481	-0.036
Corporate Resources	1.789	1.699	-0.090
Economic Growth & Housing	5.910	5.794	-0.116
Education Excellence	3.675	3.807	0.133
Highways & Public Protection	10.997	9.514	-1.483
Operational In-House Services	1.223	0.998	-0.225
<b><u>Total Programme</u></b>	<b>28.958</b>	<b>26.793</b>	<b>-2.166</b>

### **Capital Programme Forecast Outturn 2023/24**

7.6 The current forecast of expenditure against the budget profile to the end of 2023/24 and the profile of budgets for future years is shown in the table below:

	<b>Budget 2023/24</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Services</u></b>					
Adult Social Care	7.320	7.190	-0.132	2.860	1.850
Children's Social Care	0.532	0.620	0.088	0.170	-
Communities	2.054	1.972	-0.082	0.405	-
Corporate Resources	2.226	2.153	-0.073	0.541	-
Economic Growth & Housing	9.922	9.877	-0.044	31.823	50.568
Education Excellence	6.059	5.925	-0.134	11.483	-
Highways & Public Protection	16.408	15.930	-0.478	13.229	0.322
Operational In-House Services	2.572	2.574	0.003	5.811	0.993
<b><u>Total Programme</u></b>	<b>47.092</b>	<b>46.241</b>	<b>-0.852</b>	<b>66.322</b>	<b>53.733</b>

*A full list of the capital programme by capital scheme is at **appendix A**.*

7.7 The current 2023/24 budgeted spend is £47.092m with a budgeted spend to January of £28.958m. The full year budget includes exceptional items such as £8.426m for Growth and Strategic Investment projects, £0.482m for the Brownfield Housing Development fund, £0.760m for Sustainable Warmth Schemes, £1.300m for the Local Authority Housing Fund, a £1.000m project for Southport Pier Decking, and a scheme to upgrade to LED Street Lighting (£3.606m).

7.8 Typically, on an annual basis the capital programme spends in the region of £25-30m. Given this typical annual level of spend, and although in 2023/24 there are a number of exceptional items as described above, it is likely that further reprofiling of spend into 2024/25 will occur as the year progresses.

**Programme Funding**

7.9 The table below shows how the capital programme will be funding in 2023/24:

<b><u>Source</u></b>	<b>£m</b>
Grants	36.689
Prudential Borrowing	5.462
Capital Receipts	2.691
Contributions (including Section 106)	2.249
<b><u>Total Programme Funding</u></b>	<b>47.092</b>

7.10 The programme is reviewed on an ongoing basis to confirm the capital resources required to finance capital expenditure are in place, the future years programme is fully funded, and the level of prudential borrowing remains affordable.

7.11 The Executive Director of Corporate Resources and Customer Services will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the Council.

**8. Prudential Indicators 2023/24 – Update to December 2023**

8.1 The Authority measures and manages its capital expenditure and financing with reference to the Prudential Indicators approved by Council in March 2023. It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis as part of the budget monitoring process. The actual values for 2022/23 and updated forecasts for the prudential indicators for 2023/24 and future years have therefore been calculated and are presented below for review. It should be noted that the Authority has not, with the exception of capital expenditure, exceeded the original estimates approved by Council in March and the forecasts below are therefore present for Cabinet and Council to note. Increases to the estimates of capital expenditure are the result of schemes fully approved at Cabinet and Council for inclusion in the capital programme in line with the Financial Procedure Rules.

**Capital Expenditure:**

8.2 The Authority has undertaken and is planning capital expenditure as summarised below.

<b>Capital Expenditure</b>				
	2022/23 £m Actual	2023/24 £m Budget	2024/25 £m Budget	2025/26 £m Budget
TOTAL	38.705	50.650	62.764	53.733

8.3 The estimates of the capital expenditure for the current year and 2024/25 have remained within those approved in March although some timing differences may be shown due to reprofiling of capital expenditure, further details of which are reported to Cabinet on a regular basis as part of the capital programme budget monitoring. The estimate for 2025/26 has exceeded the original estimate of £33.342m due to new schemes approved for inclusion in the capital programme by Cabinet and Council during 2023 and the rephasing of schemes between financial years as cashflows and cost plans are developed. These new schemes are for the most part funded by grants and external contributions and therefore have a minimal impact on the indicators for capital financing and debt reported below.

8.4 The main capital projects that have incurred expenditure to date have included:

- Disable Facilities Grants - £2.388m
- Community Equipment - £0.575m
- Corporate Essential Maintenance - £1.005m
- Sustainable Warmth Schemes - £0.687m
- Crosby Lakeside Redevelopment - £0.790m
- Marine Lake Events Centre - £2.340m
- Bootle Canal Side (Salt & Tar) - £0.821m
- Strand Business Plan - £0.760m
- Schools Programme - £1.800m
- Schools Special Educational Needs & Disabilities Programme - £1.550m
- Highways Integrated Transport Programme - £2.548m
- Highway Maintenance - £3.481m
- LED Street Lighting Upgrade - £2.406m

**Capital Financing Requirement:**

8.5 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (the statutory amounts set aside to repay debt).

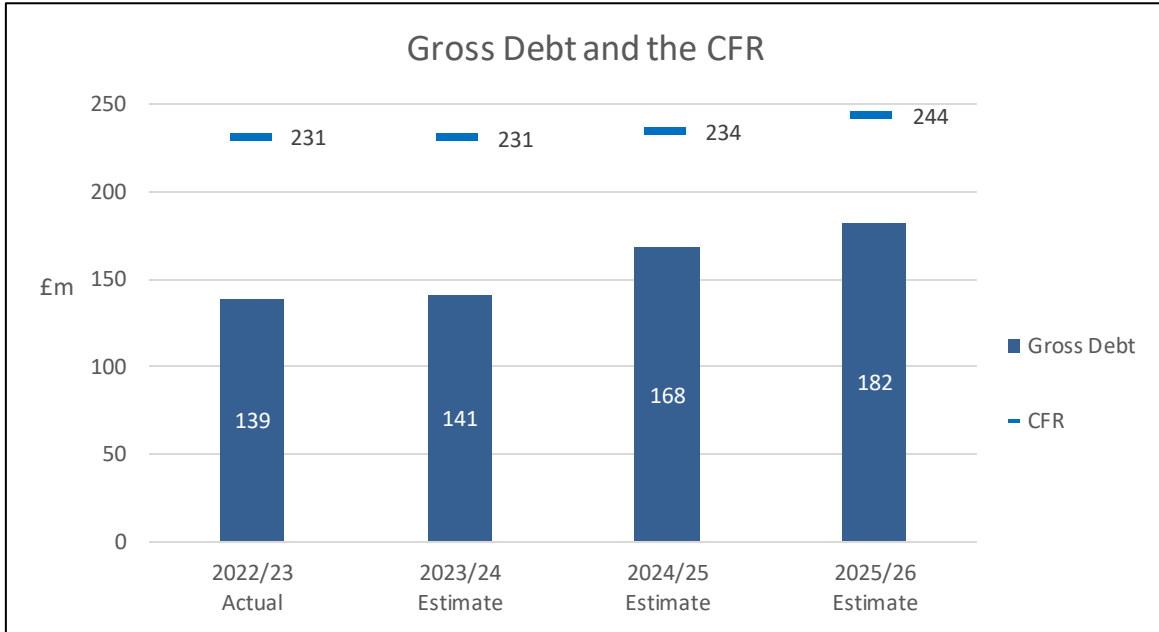
<b>Capital Financing Requirement</b>				
	31/03/23 £m Actual	31/03/24 £m Forecast	31/03/25 £m Forecast	31/03/26 £m Forecast
CFR	231.309	230.525	234.240	243.548

8.6 The estimates of the CFR have remained within those approved in March although as mentioned previously, some timing differences may be shown due to reprofiling of capital expenditure.



**Gross Debt and the Capital Financing Requirement:**

8.7 The statutory guidance provided by CIPFA is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.



**Debt and the Authorised Limit and Operational Boundary:**

8.8 The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. The operational boundary is a management tool for in-year monitoring it is not unusual if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure under the CIPFA code.

	Maximum Actual Debt To Date 2023/24 £m	Actual Debt at 31.12.2023 £m	Authorised Limit £m	Operational Boundary £m
Borrowing	134	124	185	160
Other Long-Term Liabilities	5	5	5	5
<b>Total Debt</b>	<b>139</b>	<b>129</b>	<b>190</b>	<b>165</b>

8.9 The table above shows highest level of debt during the year to date (the Maximum Actual Debt) and also the debt position as at 31st December compared to the Authorised Limit and Operational Boundary. Neither indicator has been breached and it is not anticipated that this position will change for the remainder of the financial year.

**Net Income from Commercial and Service Investments to Net Revenue Stream:**

8.10 This indicator measures the proportion of the authority’s net revenue stream that is derived from non-treasury investments such as service investments (loans to subsidiaries) and commercial investments (investment properties). Commercial investments relate to legacy arrangements such as concessions at Southport seafront, parks and gardens; the freehold interest in the Strand Shopping Centre; rents linked to small retail units; industrial units; clubs; and car park income. The indicator is a measure of the exposure to loss of income should the net return from those investments fall short of the target set in the budget.

<b>Net Income from Commercial and Service Investments to Net Revenue Stream</b>				
	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Ratio	1.2%	1.1%	1.0%	1.1%

8.11 As can be seen from the ratios above this is a relatively low percentage of the Council’s revenue stream indicating that the Council’s budget is not overly reliant on commercial and service investment income. Variations to planned levels of income are also reflected in the Council’s Medium Term Financial Plan. Should a shortfall in investment income occur then the plan will be adjusted accordingly, and corresponding savings will need to be made to compensate for the loss of income.

**Proportion of Financing Costs to Net Revenue Stream:**

8.12 This indicator measures the total capital financing costs of capital expenditure as a proportion of the total level of income from Government Grants, local Council Tax and Business Rates payers. This measure demonstrates the affordability of capital plans by comparing the cost of borrowing undertaken to fund the capital programme (in previous years and for planned expenditure in future years) to the net revenue available to the Council in each of those years.

<b>Financing Costs / Net Revenue Stream</b>				
	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Ratio	6.0%	5.3%	5.3%	5.8%

8.13 The forecast ratios calculated as of December are slightly lower than those set at the beginning of the year (2023/24 indicator was set at 5.7%) due to variations in the forecast net revenue stream. The cost of borrowing for the current approved capital programme therefore remains affordable.

## 9. **Performance**

- 9.1 The Council recognises the importance of performance management and service areas report regularly to Cabinet Members, Health & Wellbeing Board and Overview and Scrutiny on service-related performance and key corporate activity.
- 9.2 Members will also be aware that a detailed, comprehensive Corporate Performance is reported annually to Cabinet in July as part of the Financial Outturn report. Such an approach is the basis for reporting quarterly performance to Members as set out in Appendix B.

## 10. **Corporate Risk Management**

- 10.1 The Council has an established approach to risk management. As part of that a Corporate Risk Register is maintained and is reported at each quarterly meeting of the Audit and Governance Committee. This Corporate Risk Register has been updated for this mid-year review report and the top scoring risks are set out as in Appendix C. These risks should be considered and aligned to the key financial and performance issues within this report.

## **APPENDIX A – Capital Programme 2023/24 to 2025/26**

<b><u>Capital Scheme</u></b>	<b>Budget</b>		
	<b>2023/24</b> <b>£</b>	<b>2024/25</b> <b>£</b>	<b>2025/26</b> <b>£</b>
<b>Adult Social Care</b>			
Disable Facilities Grants – Core Grants (DFGs)	3,000,000	-	-
Occupational Therapy Support for DFGs	663,774	-	-
ICT Development & Transformation	940,073	307,067	2,708
ICT Connectivity in Care Homes and Support Living	30,000	70,000	-
Fall Prevention Schemes	-	45,000	-
Care Home Improvements	475,449	200,000	-
Changing Places	51,327	-	-
Integrated Health and Wellbeing on the High Street	-	400,000	-
Short Term Assessment Unit	506,846	1,213,154	1,847,000
New Directions Programme	175,038	226,000	-
Technology Enabled Care	236,949	204,184	-
Community Equipment Provision	400,000	-	-
Double to Single Handed Care Equipment Provision	150,000	-	-
Community Equipment – Specialist Projects	232,435	-	-
Community Equipment Stores Improvements	65,000	-	-
Programme Support	122,922	-	-
Digitising Social Care	260,000	195,000	-
Community Based Falls Equipment	10,200	-	-
<b>Children’s Social Care</b>			
Support for Fostering Placements	94,509	100,000	-
Community Equipment Provision	274,861	-	-
ICT Development & Transformation	133,545	-	-
Springbrook Refurbishment	28,923	-	-
Springbrook Vehicle	-	70,000	-
<b>Communities</b>			
Atkinson Arts Centre – Infrastructure & Windows	24,553	170,993	-
Leisure Centres – Essential Works	338,516	103,000	-
Libraries Projects	309,623	131,017	-
Neighbourhoods Projects	80,886	-	-
Local Authority Housing Fund	1,300,000	-	-
<b>Corporate Resources</b>			
Council Wide Essential Maintenance	1,392,189	393,595	-
Sustainable Warmth Schemes	760,092	-	-
ICT Development & Transformation	73,812	147,549	-
<b>Economic Growth &amp; Housing</b>			
Cambridge Road Centre Redevelopment	127,070	100,000	-
Crosby Lakeside Redevelopment	673,935	33,219	-
Strategic Acquisitions – Ainsdale	292,000	584,303	-
Marine Lake Events Centre	4,863,327	16,770,090	43,205,556
The Strand – Maintenance and Improvements	150,000	-	-
Enterprise Arcade	521,691	1,105,078	-

	2023/24 £	2024/25 £	2025/26 £
Transformations de Southport	303,937	1,500,000	696,063
Bootle Canal Side Business Plan	813,867	-	-
The Strand – Repurposing Programme	680,000	6,666,667	6,666,667
Housing Investment	-	33,960	-
Social Housing Allocations Scheme	13,590	-	-
Brownfield Fund for Housing Development	482,336	600,000	-
Council Housing at Buckley Hill Lane	-	2,222,783	-
Southport Pier	1,000,000	2,148,267	-
Town Centre Vacant Sites	-	58,764	-
<b>Education Excellence</b>			
Early Years	-	534,202	-
General Planned Maintenance	365,605	30,249	-
Schools Programme	2,367,325	8,068,410	-
Sporting Betterment of Schools	326,850	1,256,365	-
Special Educational Needs & Disabilities	2,999,082	1,593,624	-
<b>Highways and Public Protection</b>			
Accessibility	93,152	574,991	-
Healthy Lifestyles	114,659	272,604	-
Road Safety	107,638	50,000	-
A565 Route Management and Parking	965,195	149,479	-
A565 Northern Key Corridor Improvements	2,738	97,262	-
A59 Route Management Strategy	315,000	2,850,426	322,000
Strategic Planning	2,975,910	1,915,180	-
Traffic Management and Parking	67,000	-	-
Highway Maintenance	6,329,191	-	-
Bridges and Structures	375,000	2,000,000	-
Drainage	343,181	100,000	-
Street Lighting Maintenance	326,823	-	-
LED Street Lighting Upgrade	3,605,580	3,662,630	-
Urban Traffic Control	760,281	752,968	-
Completing Schemes and Retentions	26,510	13,490	-
Transport Growth Programme	-	789,813	-
<b>Operational In-House Services</b>			
Coastal Erosion and Flood Risk Management	1,155,111	2,112,226	898,000
Countryside Stewardship	9,919	1,740	-
Crosby Marine Lake Improvements	10,803	-	-
Parks Schemes	295,484	961,053	-
Tree Planting Programme	171,500	241,829	94,879
Golf Driving Range Developments	-	282,477	-
Ainsdale Coastal Gateway	438,186	427,989	-
Green Sefton – Vehicles, Plant & Machinery	18,335	131,152	-
Refuse Collection & Recycling	-	345,000	-
Vehicle Replacement Programme	472,166	1,307,328	-
<b><u>Total Programme</u></b>	<b>47,091,501</b>	<b>66,322,177</b>	<b>53,732,873</b>