

## Financial Management 2024/25 to 2027/28 - Revenue and Capital Budget Update 2024/25 – July Update

Date of meeting:	25 <sup>th</sup> July 2024
Report to:	Cabinet
Report of:	Executive Director – Corporate Services and Commercial
Portfolio:	Corporate Services
Wards affected:	All
Included in Forward Plan:	Yes
Is this a key decision:	Yes
Exempt/confidential report:	No

### Summary:

To inform **Cabinet** of:

- 1) The current position relating to the 2024/25 revenue budget.
- 2) The current forecast on Council Tax and Business Rates collection for 2024/25.
- 3) The monitoring position of the Council's capital programme to the end of June 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 information for 2024/25.

### Recommendation(s):

**Cabinet** is recommended to: -

#### Revenue Outturn

- 1) Note the current position relating to the 2024/25 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 2024/25 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) Note the latest capital expenditure position as at 30 June 2024 of £12.106m (paragraph 7.12); the latest full year forecast is £85.497m (paragraph 7.13).
- 6) Recommend to Council the approval of a supplementary capital estimate of £0.022m for the Enterprise Arcade project funded by capital receipts (paragraph 7.7).
- 7) Recommend to Council the approval of a supplementary capital estimate of £0.498m for the ICT Cyber Security project funded by external borrowing (paragraph 7.8).
- 8) Recommend to Council the approval of a supplementary capital estimate of £0.128m for the Committee Meeting Microphone and Live Streaming System funded by external borrowing (paragraphs 7.9 – 7.10).
- 9) Recommend to Council the approval of a supplementary capital estimate of £0.040m for the Red Rose Park works funded by capital receipts (paragraph 7.11).
- 10) Note that capital resources will be managed by the Executive Director Corporate Service and Commercial to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council (paragraphs 7.16-7.18).

### **Prudential Indicators**

- 11) Note the forecasts for the Prudential Indicators relating to capital expenditure and financing as at 30th June 2024.

#### **1. The Rationale and Evidence for the Recommendations**

To ensure Cabinet are informed of the current position in relation to the 2024/25 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 2024/25 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.

## 1. **Introduction**

- 1.1 On 29 February 2024, Members approved the Budget for the financial year 2024/25. 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 Adult Social Care, Children's Services and Education Excellence (Home to School Transport), 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 first of the Council's monthly budget monitoring reports for 2024/25 and provides an initial 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 2024/25 and forecast expenditure for 2025/26 and 2026/27. The capital budget to date is presented in paragraph 7.1. Paragraphs 7.2 to 7.5 and 7.12 to 7.15 review progress of the capital programme, including additional capital schemes. Finally, paragraphs 7.16 to 7.18 confirm that there are adequate levels of resources available to finance the capital programme.
- 1.5 This report also includes the quarter one position on the Council's Prudential Indicators. Due to the timing of the Committee, the performance information for the first quarter of 2023/24 will be included in the next report presented to Cabinet at the start of September 2024. The current Corporate Risk Register information is included elsewhere on today's agenda within the Financial and Corporate Performance 2023/24 report.

## 2. **Revenue Budget 2024/25 – Forecast Outturn Position as at the end of June 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 is the first step that will lead to that.
- 2.2 As at the end of June 2024, the forecast outturn shows a net overspend on services of £4.950m, which relates to potential additional pressures within Adult Social Care and Children's Social Care. 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.

2.3 The table below highlights the variations across services that make up the £4.950m forecast overspend:

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Services</b>			
Strategic Management	4.009	4.009	0.000
Adult Social Care	121.738	123.738	2.000
Children's Social Care	81.226	84.726	3.500
Communities	11.387	11.387	0.000
Corporate Resources	10.429	10.429	0.000
Economic Growth & Housing	6.882	6.882	0.000
Education Excellence	17.928	17.928	0.000
Health & Wellbeing	19.857	19.737	-0.120
Highways & Public Protection	10.881	10.881	0.000
Operational In-House Services	17.611	17.611	0.000
Property and Building Services	-0.530	-0.530	0.000
<b>Total Service Net Expenditure</b>	<b>301.418</b>	<b>306.798</b>	<b>5.380</b>
Council Wide Budgets	15.512	15.082	-0.430
Levies	37.290	37.290	0.000
General Government Grants	-95.740	-95.740	0.000
<b>Total Net Expenditure</b>	<b>258.480</b>	<b>263.430</b>	
<b><u>Forecast Year-End Deficit</u></b>			<b><u>4.950</u></b>

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

- **Adult Social Care** – Initial forecasts assume that the Adult Social Care budget will overspend by £2.000m during 2024/25. 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 £4.8m, in order to meet the savings approved as part of the approved 2024/25 budget plus additional savings to meet the additional budgetary pressures arising from the increases in provider fees approved at Cabinet meetings in May 2024. The achievement of these savings will be carefully monitored throughout the year. At this time £0.9m of the £4.8m of savings have been delivered. The current position reflects the delivery of these savings in full during this year which the service has confirmed.

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. As would be expected with a budget of this size and volatility, this remains a key risk

during the current year, with the added uncertainty of whether additional winter pressures or other grant funding would be received in year. Work will continue to be undertaken throughout the year to understand the pressures arising and refine forecasts. As an adverse forecast outturn position is currently forecast work will be undertaken to explore options to ensure that any potential overspend is mitigated.

- **Children's Social Care** – The current forecast for the service shows a potential overspend of £3.500m. 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 2024/25 approved budget included an additional £3m to reflect the number of packages at the time as well as resource for inflationary pressures.

The current forecast for staffing is an overspend of £1.400m. A report to Cabinet in May 2024 approved a new staffing structure within the Service, with the cost of the new structure being £2.450m more than the existing staffing budget. Cabinet approved the virement of £2.450m, to fund the increased cost of the new structure, from the Residential Care budget to the staffing budget based on the forecast reduction in packages across the year provided by the Service based on the improvement work that they are undertaking and the performance information that they produced. However, as the new structure is recruited to with permanent staff, significant numbers of existing high-cost agency placements have continued to be required, resulting in a significant overspend being forecast.

Certain areas of accommodation and support packages are currently forecast to overspend by £2.100m. The report to Cabinet in May 2024 outlined that budget realignment would be undertaken to ensure budgets reflected the packages in place at the start of 2024/25 as well as the anticipated reduction in Residential Care packages across the year. This was possible because of continuing improvements in practice which have resulted in more children being placed in more appropriate settings at a lower cost. However, the Service has recently seen 14 additional children having to be placed in a residential setting at a cost of £0.090m per week (£4.5m for a full year). In addition, the costs of packages for Children with Disabilities have increased, although specialist work is being undertaken to ensure health are making the appropriate contributions to the cost of care. It is currently assumed that the increase in Residential Care packages will be short-term but further work will be undertaken to assess the assumptions made a refine the forecasts accordingly.

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 it is considered that the increase in Residential Care packages is short-term and so it is estimated that the future years impact is modest at this stage. Together with Adult Social Care this is clearly the biggest risk to the

Council's budget and a comprehensive review of all these additional residential placements and all agency staff is being undertaken in order to inform a revised forecast that will be reported as at end of July 2024.

- **Other Service Areas** – Most other service areas are currently showing a balanced position. However, based on the initial monitoring undertaken some services are forecasting minor overspends. Given these are the first forecasts of the financial year, work will continue to refine forecasts as more information on expenditure and income becomes available. Services will need to ensure that additional cost control measures are in place between now and the end of the year, and mitigating savings are made to offset any forecast overspend, to ensure each service delivers a balanced position.
- **Corporate Budgets** – The Council continues to achieve positive investment returns on its cash balances. It is forecast that this will achieve additional income of £0.430m in 2024/25.

### 3. **Revenue Budget Summary 2024/25**

- 3.1 An overspend of £4.950m 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. As also mentioned in section 2, within Children's Social Care a comprehensive review of all the additional residential placements and all agency staff is being undertaken in order to inform a revised forecast that will be reported as at end of July 2024.
- 3.2 As mentioned, the Council must achieve an overall balanced position to ensure its financial sustainability. Should an overall forecast overspend remain following completion of the July 2024 monitoring position, a remedial action plan to meet the residual balance will need to be produced and will be presented for Members' approval.

#### Demand Led Services – Additional Investment

- 3.3 The approved 2024/25 budget set aside a provision of £0.900m to help mitigate any further pressure on demand led services in excess of the provisions included in the approved 2024/25 budgets for those services. It was proposed that these pressures would be considered during the Council's first quarter budget review of 2024/25 with the provision being allocated if necessary. Given the pressures being experienced within the Adult Social Care and Children's Social Care services, it is proposed to allocate this provision to offset some of these pressures.

#### Other Proposed Remedial Actions

- 3.4 After allocating the additional provision above, there is still a forecast overspend of **£4.050m**. 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 2024/25**

- 3.5 An overspend of **£4.050m** 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 measures taken in 2023/24 to ensure a balanced outturn position, there is no flexibility left for the use of existing Earmarked 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.

## **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 £169.759m for 2024/25 (including Parish Precepts), which represents 84% of the net Council Tax income of £202.200m.
- 4.2 The forecast outturn for the Council at the end of June 2024 is a surplus of £0.344m. This variation is primarily due to: -
- The surplus on the fund at the end of 2023/24 being higher than estimated (-£0.312m).
  - Gross Council Tax Charges in 2024/25 being higher than estimated (-£0.697m).
  - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£0.665m).
- 4.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2024/25 but will be carried forward to be recovered in future years.
- 4.4 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 2024/25.

## **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 £65.692m for 2024/25, which represents 99% of the net Business Rates income of £66.356m. 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 June 2024 is a deficit of +£1.684m on Business Rates income. This is due to:

- The surplus on the fund at the end of 2024/25 being lower than estimated (+£2.620m).
- Increase in the gross charge on rateable properties (-£0.825m).
- A number of reliefs announced for 2024/25 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 more than anticipated (+£0.269m).
- Adjustments relating to prior years (-£0.380m)

5.3 When taking into account the higher Section 31 grants due on the additional reliefs, a net deficit of £1.905m is forecast.

5.4 Due to Collection Fund regulations, a Business Rates deficit will not be transferred to the General Fund in 2024/25 but will be carried forward to be recovered in future years.

5.5 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 regular 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 A separate report on the High Needs funding position of the Council is included on this agenda.

## 7. **Capital Programme 2024/25 – 2026/27**

### **Capital Budget**

7.1 The Capital Budget and profile of expenditure for the three years 2024/25 to 2026/27 is as follows:

<b>2024/25</b>	<b>£85.568m</b>
<b>2025/26</b>	<b>£58.248m</b>
<b>2026/27</b>	<b>£33.476m</b>

7.2 The above figures include an unspent budget allocation of £8.816m carried forward from 2023/24 and allocated to budgets for the continuation of existing projects into 2024/25.



7.3 The following updates have also been made to the capital programme budget since the initial budget report to Cabinet in February 2024:

- **Adult Social Care**

- £3.5m has been approved by Council in July for the Disabled Facilities Grants core budget funded by the 2024/25 block grant allocation.

- **Corporate Resources**

- £0.450m has been added to the 2024/25 budget for the ICT Equipment refresh funded by prudential borrowing following approval by Council in July.
- £4.775m has been added to the 2024/25 budget for the Acquisition of Magdalen House following approval by Council in April.

- **Economic Growth & Housing:**

- £0.750m has been added to the 2025/26 budget for the Council Housing Early Acquisitions Scheme funded by capital receipts and grant from Homes England.
- Town Deal budgets have been updated and reprofiled to align with the latest delivery profile over 2024/25 to 2026/27. No changes have been made to the overall approved amounts. The budgets are listed at Appendix A. £2.5m for Les Transformations de Southport has now been included in the Highways Programme as part of the Southport Public Realm Project.
- £0.217m has been added to the budget for Changing Places Facilities approved under delegated authority and funded by grant from DLUHC.
- £0.454m has been reprofiled from 2024/25 to 2025/26 for Strategic Acquisitions at Ainsdale based on anticipated completions.

- **Education Excellence:**

- £0.075m has been reallocated from St. Luke's Formby Boiler Replacement to Kings Meadow Primary Phase 3 Electrical Re-Wiring.
- £0.200m has been added to the budget for Formby High Conversion of Caretaker's House funded by High Needs Capital Grant following approval by Cabinet in May.
- Several new Special Educational Needs & Disabilities (SEND) projects with a total value of £0.345m have been added following approval by Cabinet in May:
  - Bishop David Sheppard – Phase 2 Internal Alterations to Create 2 SEN Resource Bases
  - Bishop David Sheppard – Equipment and Furniture
  - Thomas Gray – Additional Building Works SEND Unit
  - Presfield – Internal Refurbishment of Classrooms

- **Highways and Public Protection:**

- £5.799m has been added to the 2024/25 and 2025/26 budget for the A59 Northway Pedestrian/ Cycle Improvements project funded by external grants and contributions and Council resources (capital receipts).
- £5.273m has been added to the 2024/25 budget for the Southport Public Realm project funded by external grants and contributions and Council resources.

- £0.500 has been added to the 2024/25 and 2025/26 budget for the Green Light Fund funded by grant from the Department of Transport.
  - £0.449m has been added to the 2024/25 budget for the Network North Roads Resurfacing Fund funding by grant from the Liverpool City Region Combined Authority.
  - £0.065m has been added to the 2024/25 budget for Traffic Signal Obsolescence funding by grant from the Liverpool City Region Combined Authority.
  - £3.300m has been added to the 2024/25 budget for the Carriageway Resurfacing Programme funded by grant from the Liverpool City Region Combined Authority.
- **Operational In-House Services:**
    - £0.012m has been added to the budget under delegated authority for Hesketh Park Legacy Project.
    - £0.500m has been rephased to 2025/26 for Hesketh Park Legacy Project to allow for the planning of works.
    - £2.644m has been added to the budget for Refuse and Recycling Collection Service funded by DEFRA Food Waste Collection Grant following approval by Council in April.
    - £0.217m has been added to the budget under delegated authority for Changing Places Toilet Facilities.
    - £0.040m has been added to the budget under delegated authority for Natural Flood Management works.
    - £0.103m has been rephased to 2025/26 for Potters Barn Park.
    - £0.280m has been rephased to 2025/26 for Southport Golf Driving Range Development.

7.4 The following block capital grant allocations were approved by Council following recommendation by Cabinet for inclusion in the Capital Programme 2024/25:

<b><u>Capital Grant</u></b>	<b>2024/25 £</b>
<b>Adult Social Care</b>	
Disabled Facilities Grant	5,261,093
<b>Education Excellence</b>	
Schools Condition Allocation	2,241,878
High Needs Provision Capital Allocation	4,740,380
<b>Highways and Public Protection</b>	
City Region Sustainable Transport Settlement	10,766,000

7.5 Authority has been delegated to Cabinet Members to assign funding to individual capital schemes up to a value of £1m for Adult Social Care, Highways and the Schools block allocations listed above. The list of schemes for 2024/25 is being fully developed and will be presented to the individual Cabinet Members for approval noting that schemes in excess of £1m have already been approved by Council as outlined in paragraph 7.2. A full list of the approved capital schemes will be presented in future reports to Cabinet.

## **Additional Capital Schemes**

### **Enterprise Arcade**

- 7.6 The Enterprise Arcade is part of the Southport Town Investment Plan and has been identified as one of the projects to be delivered using part of the Towns Deal funding, with £1.500m being approved for this project. Enabling works of £0.240m that fall outside of the Town Deal funded contract have also been previously approved by Council funded by capital receipts.
- 7.7 The project is underway but during the strip out works on site, a requirement for further remedial works has been identified due to the condition of the building. It is important to note that these works are additional works that are required to maintain the fabric and integrity of the building, rather than cost increases of the original project. A supplementary estimate is therefore required for an additional sum of £0.022m funded by capital receipts.

### **ICT Service Developments**

- 7.8 A recommendation was approved by Cabinet in December 2023 to commence a procurement exercise in connection with ICT Service Provision. As identified in the report the authority needed to purchase a new system to ensure it continues to meet national cyber security standards moving forwards. The capital cost of this system is £497,834 and will be funded by external borrowing. The cost of repaying the loan will be met from the Council's ICT budget.

### **Committee Meeting Microphone and Live Streaming System**

- 7.9 The Council's microphone system used in committee meetings and full Council meetings is coming to the end of its life and needs replacing. It is now common practice for local authorities to live stream their meetings to aid with openness and transparency particularly for those members of the public who find it difficult to attend meetings in person. In addition, it is also beneficial to have recordings of meetings available on the local authority website for future reference.
- 7.10 A replacement microphone and live streaming system has therefore been identified and is already in use by all local authorities across the Liverpool City Region. Following site visits and demonstrations from the proposed supplier, this same solution is also considered suitable for implementation in Sefton. The total capital cost of the new system is estimated to be £127,806 and will be funded from prudential borrowing. The repayment of the loan and the running costs for the new system will be met from the Council's existing Democratic Services budget.

### **Red Rose Park Works**

- 7.11 Red Rose Park is the Council's Gypsy and Traveller site located in Formby. As part of the ongoing asset management of the site a condition survey has been commissioned which has identified works required to the site to address a number of long-standing issues. Works to address the issues identified in the condition survey will commence as soon as possible following informal consultation with residents. Completion of the work will ensure that the site remains safe and fully serviceable. The total cost of the works is estimated to be £40,000.

### **Budget Monitoring Position to June 2024**

7.12 The current position of expenditure against the budget profile to the end of June 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 June</b>	<b>Actual Expenditure to June</b>	<b>Variance to June</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Services</u></b>			
Adult Social Care	0.974	0.974	-
Children's Social Care	0.109	0.109	-
Communities	0.084	0.084	-
Corporate Resources	4.970	4.970	-
Economic Growth & Housing	2.060	2.060	-
Education Excellence	0.848	0.848	-
Highways & Public Protection	1.433	1.433	-
Operational In-House Services	1.627	1.627	-
<b><u>Total Programme</u></b>	<b>12.106</b>	<b>12.106</b>	<b>-</b>

### **Capital Programme Forecast Outturn 2024/25**

7.13 The current forecast of expenditure against the budget profile to the end of 2024/25 and the profile of budgets for future years is shown in the table below:

	<b>Budget 2024/25</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Budget 2025/26</b>	<b>Budget 2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Services</u></b>					
Adult Social Care	7.593	7.593	-	1.850	-
Children's Social Care	0.298	0.298	-	-	-
Communities	1.755	1.755	-	0.101	-
Corporate Resources	8.840	8.840	-	2.500	2.387
Economic Growth & Housing	19.423	19.352	-0.071	45.861	27.947
Education Excellence	13.123	13.123	-	-	-
Highways & Public Protection	24.566	24.566	-	5.955	1.616
Operational In-House Services	9.969	9.969	-	1.982	1.525
<b><u>Total Programme</u></b>	<b>85.568</b>	<b>85.497</b>	<b>-0.071</b>	<b>58.248</b>	<b>33.476</b>

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

7.14 The current 2024/25 budgeted spend is £85.568m with a budgeted spend to June of £12.106m. The full year budget includes exceptional items such as £13.604m for Growth and Strategic Investment projects, £3.377m for new Council Housing

schemes, £9.773m for major Highways projects, a £2.707m project for Southport Pier Decking, a one-off budget for a major property acquisition (£4.775m), new funding for refuse recycling and collection (£2.644m) and a scheme to upgrade to LED Street Lighting (£3.809m).

7.15 It should be noted that based on evidence from previous years, it is likely that further reprofiling of spend into 2025/26 will occur as the year progresses, as £85m of capital expenditure would be a significant programme delivered in year- it is therefore essential that all projects are reviewed in a robust manner in order that informed decision making in respect of financial management and member decision making can be undertaken.

**Programme Funding**

7.16 The table below shows how the capital programme will be funding in 2024/25:

<b><u>Source</u></b>	<b>£m</b>
Grants and Other Contributions	60.498
Prudential Borrowing	18.063
Capital Receipts	6.493
Revenue Contributions	0.513
<b><u>Total Programme Funding</u></b>	<b>85.568</b>

7.17 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.

7.18 The Executive Director of Corporate Services and Commercial 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 2024/25 – Update to June 2024**

8.1 The Authority measures and manages its capital expenditure and financing with reference to the Prudential Indicators approved by Council in February 2024. 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 2023/24 and updated forecasts for the prudential indicators for 2024/25 and future years have therefore been calculated and are presented below for review.

**Capital Expenditure:**

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

<b>Capital Expenditure</b>				
	2023/24 £m Actual	2024/25 £m Budget	2025/26 £m Budget	2026/27 £m Budget
TOTAL	40.937	85.568	58.248	33.476

8.3 The estimates of the capital expenditure for the current year and future years have remained within those approved in February 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.

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

- Disabled Facilities Grants - £0.698m
- Community Equipment - £0.196m
- Corporate Essential Maintenance - £0.122m
- Property Acquisition - £4.775m
- Marine Lake Events Centre - £0.510m
- Enterprise Arcade Project - £0.232m
- The Strand Repurposing Programme - £1.208m
- Schools Programme - £0.494m
- Schools Special Educational Needs & Disabilities Programme - £0.354m
- Highways Integrated Transport Programme - £0.910m
- LED Street Lighting Upgrade - £0.468m
- Ainsdale Coastal Gateway - £0.236m
- Plant, Vehicle and Equipment Purchases - £1.257m

**Capital Financing Requirement:**

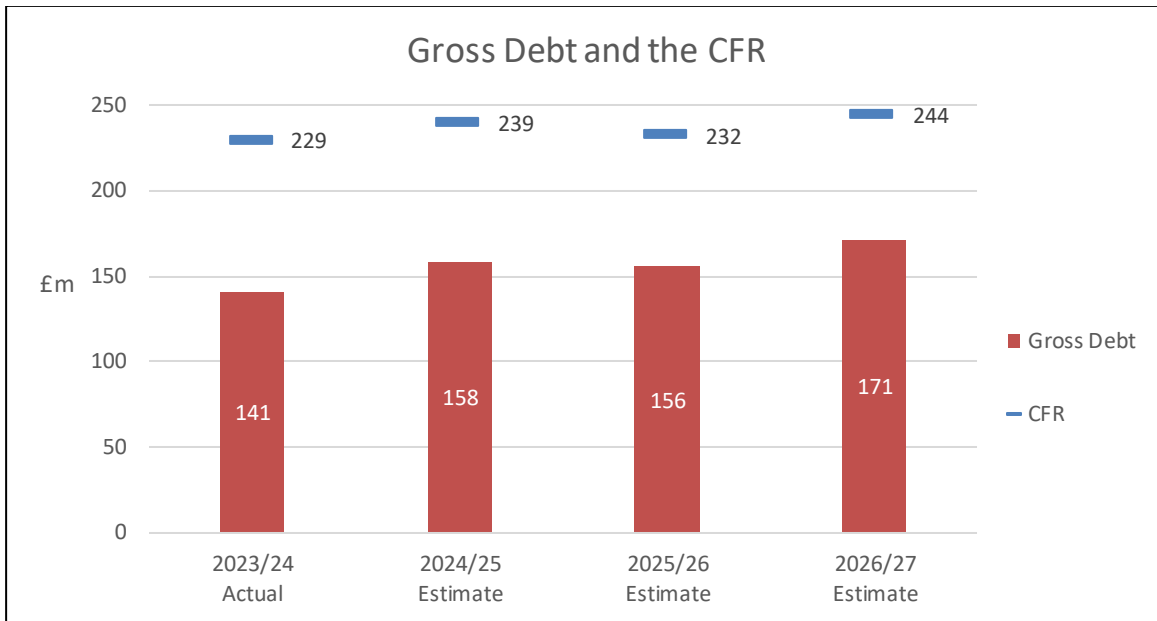
8.5 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (the statutory amounts set aside to repay debt).

<b>Capital Financing Requirement</b>				
	31/03/24 £m Actual	31/03/25 £m Forecast	31/03/26 £m Forecast	31/03/27 £m Forecast
CFR	229.472	239.282	232.123	243.969

8.6 The estimates of the CFR over the next three financial years have remained within those approved in February although as mentioned previously, some timing differences between years 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 2024/25 £m	Actual Debt at 30.06.2024 £m	Authorised Limit £m	Operational Boundary £m
Borrowing	137	137	195	170
Other Long-Term Liabilities	4	4	5	5
<b>Total Debt</b>	<b>141</b>	<b>141</b>	<b>200</b>	<b>175</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 30th June 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>				
	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
Ratio	1.2%	1.1%	1.1%	0.9%

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. It should be noted that the estimated for 2024/25 reported to Council in February was 1.0% and so a minor variation of 0.1% has occurred due to the forecast for net revenue stream now being lower.

8.12 Variations to planned levels of income are 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:**

8.13 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>				
	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
Ratio	5.3%	5.5%	5.7%	5.9%

8.14 The forecast ratios calculated as at June 2024 are slightly higher than those set at the beginning of the year (2024/25 indicator was set at 5.3%) due to variations in the forecast net revenue stream. The cost of borrowing for the current approved capital programme in 2024/25 still remains affordable however and within the Council's current budget for debt repayment.

## **2. Financial Implications**

All financial implications are reflected within the report.

## **3. Legal Implications**

None

## **4. Corporate Risk Implications**

This report highlights the financial position of the Council in 2024/25, which supports its Financial Sustainability in 2024/25 and future years.

## **5 Staffing HR Implications**

None

## **6 Conclusion**

Based on current forecasts, the Council is again faced with a challenging financial environment during 2024/25 as a result of pressures within Adult Social Care and Children's Social Care.

A revenue overspend of £4.050m is currently forecast. Within Children's Social Care a comprehensive review of all the additional residential placements and all agency staff is being undertaken in order to inform a revised forecast that will be reported as at end of July 2024. Should an overall forecast overspend remain following completion of the July 2024 monitoring position, a remedial action plan to meet the residual balance will need to be produced and will be presented for Members' approval.

## **Alternative Options Considered and Rejected**

None

**Equality Implications:**

There are no equality implications.

**Impact on Children and Young People:**

None

**Climate Emergency Implications:**

The recommendations within this report will have a **Neutral** impact.

The allocations of capital funding outlined in sections 8 to 12 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.

**What consultations have taken place on the proposals and when?****(A) Internal Consultations**

The Executive Director - Corporate Services and Commercial is the author of this report (FD7710/24).

The Chief Legal and Democratic Officer (LD5810/24) has been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

None

**Implementation Date for the Decision:**

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

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**Appendices:**

The following appendices are attached to this report:

APPENDIX A – Capital Programme 2024/25 to 2026/27

**Background Papers:**

None