

**Financial Management 2024/25 to 2027/28 - Revenue and Capital Budget Update
2024/25 – September Update**

Date of meeting:	10 th September 2024
Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)
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 **Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)** 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 July 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 measures being taken by the Council to respond to the tragic incident in Southport on 29th July 2024.

Recommendation(s):

Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) 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) Note 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 8.1).
- 5) Note the latest capital expenditure position as at 31 July 2024 of £15.781m (paragraph 8.08); the latest full year forecast is £87.038m (paragraph 8.09).
- 6) 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 8.12-8.14).

1. The Rationale and Evidence for the Recommendations

To ensure Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) 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 keep members informed of any changes that are required in order to maintain a relevant and accurate budget profile necessary for effective monitoring of the Capital Programme.

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 second of the Council's monthly budget monitoring reports for 2024/25 and provides an early 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 8.1. Paragraphs 8.2 to 8.11 review progress of the capital programme, including additional capital schemes. Finally, paragraphs 8.12 to 8.14 confirm that there are adequate levels of resources available to finance the capital programme.

2. Revenue Budget 2024/25 – Forecast Outturn Position as at the end of July 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 July 2024, the forecast outturn shows a net overspend on services of £4.144m, 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 £4.144m forecast overspend:

	Budget	Forecast Outturn	Variance	Variance to June Forecast
	£m	£m	£m	£m
<u>Services</u>				
Strategic Management	3.996	3.996	0.000	0.000
Adult Social Care	121.738	123.738	2.000	0.000
Children's Social Care	81.226	84.726	3.500	0.000
Communities	11.387	11.387	0.000	0.000
Corporate Resources	10.429	10.429	0.000	0.000
Economic Growth & Housing	6.882	6.882	0.000	0.000
Education Excellence	17.928	17.928	0.000	0.000
Health & Wellbeing	19.857	19.804	-0.053	0.067
Highways & Public Protection	10.881	10.881	0.000	0.000
Operational In-House Services	17.611	17.611	0.000	0.000
Property and Building Services	-0.530	-0.530	0.000	0.000

Total Service Net Expenditure	301.405	306.852	5.447	0.067
Council Wide Budgets	15.525	14.222	-1.303	0.027
Levies	37.290	37.290	0.000	0.000
General Government Grants	-95.740	-95.740	0.000	0.000
Total Net Expenditure	258.480	262.624		
<u>Forecast Year-End Deficit</u>			<u>4.144</u>	<u>0.094</u>

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. As at the end of July, £1.3m 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 early 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 £0.403m in 2024/25.

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

3.1 An overspend of £4.144m 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 continues to be undertaken in order to inform a revised forecast that will be reported as at end of August 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 August 2024 monitoring position, a remedial action plan to meet the residual balance will need to be produced and will be presented for Members' approval.

Other Proposed Remedial Actions

- 3.3 After allocating the additional provision above, there is still a forecast overspend of **£4.144m**. 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

- 3.4 An overspend of **£4.144m** 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. Recovery Plan relating to the Incident in Southport

- 4.1 Following the tragic incident in Southport on 29th July 2024 and the violent attack on the Southport Mosque and Islamic Cultural Centre on 30 July, there will be long-term impacts for individuals, families, communities and Southport, but it will take time to understand this impact and fully respond to it. The Council has worked with our partner organisations to deal with the immediate aftermath of the tragic events, and our priority now is continue listening to the parents, children and young people directly impacted, and to engage with all communities and business across Southport to enable the town to recover and thrive.
- 4.2 Over the next 8 weeks, working with people directly impacted, local communities and with the right external support, the council will facilitate community impact assessments to co-produce a recovery plan, underpinned by the voice and priorities of those directly impacted and the wider community. In the meantime, a number of key pieces of work have already started:
- Delivering psychological support immediately and setting up a new and dedicated Health and Wellbeing team to ensure the people directly affected and those in the immediate vicinity get personalised and responsive physical, emotional and mental health needs support in the long term.
 - Supporting schools as pupils come back in September, delivering a trauma informed response at the Children's Services front door and through the Linaker Family Hub.
 - Additional practical and frontline capacity to tackle violence against women and girls, racism and Islamophobia, hate crime and anti-social behaviour, including a programme of small grants to deliver hyper local community activity and events.
 - Business Support to those business directly impacted by the events.
- 4.3 The financial cost to deliver these actions and support are currently being refined and the Council is currently engaging with all partner agencies and respective government departments on how the final costs will be funded. Future budget monitoring reports will provide updates on this to Cabinet.

5. Council Tax Income – Update

- 5.1 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.

5.2 The forecast outturn for the Council at the end of July 2024 is a surplus of £0.162m. 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 (-£0.757m).
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£0.907m).

5.3 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.

5.4 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.

6. **Business Rates Income – Update**

6.1 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.

6.2 The forecast outturn for the Council at the end of July 2024 is a deficit of +£1.116m 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 (-£1.555m).
- 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 (+£0.340m).
- Adjustments relating to prior years (-£0.287m)

6.3 When taking into account the change in Section 31 grants due on the additional reliefs, a net deficit of £1.030m is forecast.

6.4 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.

6.5 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.

7. **High Needs Budget**

- 7.1 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.
- 7.2 A separate report on the High Needs funding position of the Council was presented to Cabinet in July 2025.

8. **Capital Programme 2024/25 – 2026/27**

Capital Budget

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

2024/25	£87.235m
2025/26	£58.598m
2026/27	£33.476m

- 8.2 The following updates have also been made to the capital programme budget since the initial budget report to Cabinet in July:

- **Children’s Social Care**
 - £2.000m has been added to the programme for Children’s Social Care Transformation, as approved by Cabinet and Council in February.
- **Corporate Resources**
 - £0.090m has been rephased into 2025/26 for ICT Equipment Refresh due to the timing of orders.
- **Education Excellence** – the following schemes have been rephased into 2025/26:
 - £0.045m Newfield (St. Theresa’s) – Conversion to Special School for KS1&2
 - £0.090m St. Philips Litherland – Roof Repairs
 - £0.078m St. John Crossens – Upgrade Emergency Lights

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

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

- 8.4 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 Budget Council in February 2024. A full list of the approved capital schemes will be presented in future reports to Cabinet.

Additional Capital Schemes

The Northern Forest Grow Back Greener Programme

- 8.5 Sefton Council has been awarded grant funding as part of The Northern Forest “Grow Back Greener” scheme for the planting and establishment of 400 standard trees of a large species variety. The Northern Forest has already established over 3 million new trees since 2018 and is transforming the landscape from coast to coast and in and around cities such as Liverpool, Chester, Manchester, Leeds, Bradford, Sheffield, York, and Hull.
- 8.6 The Grow Back Greener programme is led by the Woodland Trust, in partnership with Mersey Forest, City of Trees (Greater Manchester), White Rose Forest and Humber Forest, with funding from the Government’s Nature for Climate Fund. The Fund aims to improve landscape connectivity outside woodland, increase natural colonisation where appropriate and provide benefits to ecosystems and society, such as carbon absorption, flood protection and support for biodiversity.
- 8.7 The Northern Forest grant does not require match funding by the Council. An offer of funding from The Mersey Forest has been received for the amount of £347,200. Cabinet has therefore been requested to approve a supplementary estimate to include the scheme in the capital programme for 2024/25.

Budget Monitoring Position to July 2024

- 8.8 The current position of expenditure against the budget profile to the end of July 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.

	Budget to July	Actual Expenditure to July	Variance to July
	£m	£m	£m
<u>Services</u>			
Adult Social Care	1.268	1.268	-
Children’s Social Care	0.138	0.138	-
Communities	0.220	0.146	-0.074
Corporate Resources	5.017	5.015	-0.001
Economic Growth & Housing	2.144	3.131	0.987
Education Excellence	1.053	1.251	0.198
Highways & Public Protection	2.658	2.658	-
Operational In-House Services	2.191	2.174	-0.017
<u>Total Programme</u>	14.689	15.781	1.092

Capital Programme Forecast Outturn 2024/25

8.9 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:

	Budget 2024/25	Forecast Outturn	Variance	Budget 2025/26	Budget 2026/27
	£m	£m	£m	£m	£m
<u>Services</u>					
Adult Social Care	7.593	7.473	-0.120	1.850	-
Children's Social Care	0.298	0.298	-	-	-
Communities	1.767	1.767	-	0.101	-
Corporate Resources	8.750	8.750	-	2.590	2.387
Economic Growth & Housing	19.423	19.371	-0.052	45.861	27.947
Education Excellence	12.867	12.843	-0.025	0.259	-
Highways & Public Protection	24.566	24.566	-	5.955	1.616
Operational In-House Services	9.969	9.969	-	1.982	1.525
<u>Total Programme</u>	87.235	87.038	-0.197	58.598	33.476

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

8.10 The current 2024/25 budgeted spend is £87.235m with a budgeted spend to July of £14.689m. 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), a scheme to upgrade to LED Street Lighting (£3.809m), and £2.000m for Children's Social Care Transformation.

8.11 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 £87m 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

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

<u>Source</u>	£m
Grants and Other Contributions	60.253
Prudential Borrowing	17.972
Capital Receipts	8.496
Revenue Contributions	0.513
<u>Total Programme Funding</u>	87.235

- 8.13 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.
- 8.14 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.

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 £4.144m is currently forecast. Within Children’s Social Care a comprehensive review of all the additional residential placements and all agency staff continues to be undertaken in order to inform a revised forecast that will be reported as at end of August 2024. Should an overall forecast overspend remain following completion of the August 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

<p>Equality Implications:</p> <p>There are no equality implications.</p>
<p>Impact on Children and Young People:</p> <p>None</p>
<p>Climate Emergency Implications:</p>

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

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.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Services and Commercial is the author of this report (FD7768/24).

The Chief Legal and Democratic Officer (LD5868/24) 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.

Contact Officer:	Paul Reilly
Telephone Number:	0151-934-4106
Email Address:	Paul.reilly@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

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

Background Papers:

None