

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

Date of meeting:	7 November 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 September 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 and the current Corporate Risk Register.

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) Approve the remedial action plan measures outlined in section 3.
- 4) 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.

Sefton Climate & Retrofit Action Project (SCRAP)

- 5) Approve a supplementary revenue estimate of £834,548 for the Sefton Climate & Retrofit Action Project (SCRAP) fully funded from the National Lottery Climate Action Fund.
- 6) Approve a supplementary capital estimate of £32,000 for the Sefton Climate & Retrofit Action Project (SCRAP) fully funded from the National Lottery Climate Action Fund.
- 7) Delegate authority to accept the grant and to sign the associated documentation to the Executive Director of Corporate Services and Commercial.

Capital Programme

- 8) Note the spending profiles across financial years for the approved capital programme (paragraph 8.1).
- 9) Note the latest capital expenditure position as at 30 September 2024 of £23.651m (paragraph 8.6); the latest full year forecast is £81.007m (paragraph 8.7).
- 10) Note the programme outputs and progress to September (paragraph 8.10 – 8.28)
- 11) 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 8.29-8.31).

Prudential Indicators

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

Risk Management

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

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 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 fourth of the Council's monthly budget monitoring reports for 2024/25 and provides the forecast outturn position for all services following a mid-year review, 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 8.28 review progress of the capital programme, including additional capital schemes and programme outputs to date. Finally, paragraphs 8.29 to 8.31 confirm that there are adequate levels of resources available to finance the capital programme.
- 1.5 This report also includes the quarter two position on the Council's Prudential Indicators and the current Corporate Risk Register information..

2. **Revenue Budget 2024/25 – Forecast Outturn Position as at the end of September 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 September 2024, the forecast outturn shows a net overspend on services of £9.273m, which relates to potential additional pressures within Adult Social Care, Children's Social Care and Education Excellence (Home to School Transport). 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 £9.273m forecast overspend:

	Budget	Forecast Outturn	Variance	Variance to August Forecast
	£m	£m	£m	£m
Services				
Strategic Management	3.996	3.996	0.000	0.000
Adult Social Care	121.738	122.756	1.018	0.710
Children's Social Care	81.226	87.963	6.737	1.737
Communities	11.387	11.667	0.280	0.280
Corporate Resources	10.466	10.466	0.000	0.000
Economic Growth & Housing	6.882	6.882	0.000	0.000
Education Excellence	17.931	20.536	2.605	1.605
Health & Wellbeing	19.870	19.636	-0.234	-0.148
Highways & Public Protection	10.886	10.886	0.000	0.000
Operational In-House Services	17.614	17.614	0.000	0.000
Property and Building Services	-0.528	-0.528	0.000	0.000
Total Service Net Expenditure	301.468	311.874	10.406	4.184
Council Wide Budgets	15.462	14.329	-1.133	0.000
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	267.753		
<u>Forecast Year-End Deficit</u>			<u>9.273</u>	<u>4.184</u>

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

- **Adult Social Care** – Current forecasts are that the Adult Social Care budget will overspend by £1.0m during 2024/25 and reflects an assumption that there will be full achievement of savings proposed by the Service for the year (see below). 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 August, £2.3m 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 continue to be undertaken to explore options to ensure that any potential

overspend is mitigated. Initial work has identified potential mitigations of £0.7m which are reflected in the forecast overspend reported above.

- **Children's Social Care** – Previous forecasts assumed that the Children's Social Care budget would overspend by £5.0m during 2024/25. The current forecast for the service shows a potential overspend of £6.7m (see below). However, there are a number of significant assumptions and uncertainties that could impact on this position before the year-end. Further work continues to be 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 a further 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 £3.1m. 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 now forecast to overspend by £4.9m. 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 had 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 had increased, although specialist work continues to be undertaken to ensure health are making the appropriate contributions to the cost of care. These were the two main areas driving the initial forecast overspend.

It was previously assumed that the increase in Residential Care packages would be short-term. However, further work has been undertaken to assess each case and the assumptions made which has identified that some placements will continue for longer than originally assumed. In addition, some further placements, and increases in package costs, have resulted in further spending pressure. There has also been an increase in the number of packages for Children with Disabilities.

Further work has also been undertaken to assess each individual case across the different care settings. This forensic analysis will continue each month to ensure forecasts for each individual case are as robust as possible.

As an adverse forecast outturn position is currently forecast work will continue to be undertaken to explore options to ensure that any potential overspend is mitigated. Initial work

has identified potential mitigations of £0.5m which are reflected in the forecast overspend reported above.

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 cost of Residential Care packages is short-term in 2024/25 due to forecast activity in 2025/26, and so it is estimated that the future years impact is modest at this stage. Together with Adult Social Care and Home to School Transport this is clearly the biggest risk to the Council's budget and a comprehensive review of all residential and other placements, and all agency staff, will continue to be undertaken in order to inform revised forecasts in future months.

- **Education Excellence** - The current forecast shows a potential net overspend of £2.6m, which mainly relates to Home to School Transport. Members will recall that in this budget, and in previous years' budgets, substantial funding was added to the Home to School Transport budget. However, this budget has come under further pressure due to the significant increase in the number of EHCPs being completed which result in travel support, including more expensive travel relating to out of borough placements.
- **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 £0.2m in 2024/25. However, due to the impact on cash balances of the High Needs deficit, the Council has had to take out additional borrowing earlier than previously planned for, which is significantly impacting on the forecast surplus that would otherwise be achieved.

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

- 3.1 An overspend of £9.273m is currently forecast. However, as mentioned in section 2, this is a forecast based on a number of uncertainties and assumptions, particularly around Adult Social Care, Children's Social Care, and Education Excellence (Home to School Transport), which all 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.
- 3.2 As mentioned, the Council must achieve an overall balanced position to ensure its financial sustainability. Given the overall forecast overspend, a remedial action plan to reduce the residual balance has been produced.

Proposed Remedial Actions

- 3.3 As reported in October, given there is still a forecast deficit it is proposed to undertake a number of remedial actions, including the adoption of financial principles used in previous years, to enable a balanced forecast outturn position to ensure its financial sustainability. The proposed / implemented actions are:

Recruitment Freeze

- 3.4 The Council has introduced a recruitment freeze until the end of the financial year. This will apply to all services across the Council with the exception of Children’s Social Care. Recruitment to certain posts in other services will be reviewed on a case-by-case basis. Savings from non-recruitment of current and future vacant posts are estimated to be £1.0m before the end of the financial year.

No Further Overspend in any Service.

- 3.5 All services must manage their budgets to ensure that their forecast outturn position does not worsen from that currently reported.

Remedial Measures within Services.

- 3.6 Measures to achieve savings have been proposed within certain service areas to help to mitigate the financial pressures being experienced by the Council. The anticipated savings from these measures are:

Service:	Proposed Savings:
	£m
Corporate Resources	0.250
Health & Wellbeing	0.100
Highways & Public Protection	0.250
Operational In-House Services	0.250
	0.850

No Further Growth Items or Additionality

- 3.7 All services to pause any requests for growth or additionality, even if it could be funded from current forecast underspends or further underspends compared to the current forecast position. This will ensure that any further underspends can be used to contribute to mitigating the Council’s overall financial position. This doesn’t apply to expenditure that can be fully met from external funding received by the Council.

Non-Essential Expenditure

- 3.8 A full review is currently being undertaken of all budgets across the Council to identify any areas of non-essential spend that could be stopped. This includes reviewing progress on spending in all areas to identify options for where additional expenditure commitments could be paused. This will identify further underspends that can be used to contribute to mitigating the Council’s overall financial position. It is estimated that savings of £0.5m can be achieved before the end of the financial year.

Earmarked Reserves

- 3.9 A further review of Earmarked Reserves has identified a reserve that can now be released to support the forecast outturn position (£0.320m).

Additional In-Year Funding

- 3.10 Any additional in-year funding that is made available by the Government will be utilised to offset the spending pressures being experienced.

Summary 2024/25

- 3.11 After the implementation of these remedial actions an overspend of **£6.603m** is currently forecast. Whilst remedial actions will continue to be explored to reduce this further, a residual overspend is expected at year end. This would need to be funded by General Balances. As part of the budget setting process for 2025/26 the Council will need to develop a strategy to increase General Balances back to the level they would have been if they hadn’t been utilised to fund an overspend and this will include the repayment of balances by

services who have utilised them where appropriate. This strategy will need to take into account the risks faced by the Council and the assessment of their adequacy as described in the S151 Officer's Robustness report.

4. Sefton Climate & Retrofit Action Project (SCRAP).

- 4.1 Sefton Council / The Energy & Environmental Management Team have been awarded £866,548 funding via the National Lottery Climate Action Fund for the Sefton Climate & Retrofit Action Project (SCRAP).
- 4.2 To start 1 January 2025 (and running for 5 years), the SCRAP project will encourage community climate activity with a focus on energy saving, domestic retrofit, green jobs and green transport. The funds are largely for staffing costs and installing an immersive room in the Strand, developing a stronger route to local green jobs and running events in partnership with many community groups that we are engaged with and supported the bid. The fund will also allow for the creation of community energy groups that will be able to bid for their own funding during the life of this programme.
- 4.3 There is no matched funding required for this grant, as the project has accounted for recoverable VAT and Strand unit hire costs as an in-kind contribution (total project cost £924,548 with £866,548 awarded). The outputs of the programme also directly support the Council's key corporate objectives around delivery of climate engagement.

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 September 2024 is a surplus of £0.539m. 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 (-£0.887m).
 - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated (+£0.660m).
- 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 September 2024 is a deficit of +£1.361m 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 (-£1.628m).
 - 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 (+£0.663m).
 - Adjustments relating to prior years (-£0.294m)
- 6.3 When taking into account the change in Section 31 grants due on the additional reliefs, a net deficit of £1.191m 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	£80.905m
2025/26	£71.484m
2026/27	£33.467m

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

- **Adult Social Care** – the Cabinet Member for Adult Social Care has, under delegated authority, approved revised budgets for the Wider Social Care programme and Community Equipment Stores funded from the Better Care Fund – Disabled Facilities Grant (DFG). This includes roll forward of budgets from previous years. A full list is included in Appendix A.
- **Education Excellence**
 - £0.200m has been rephased into 2025/26 for Freshfield Primary Replace Heating and DHW pipework due to scheduling of works.
 - £0.076m has been rephased into 2025/26 for St. Philip’s Litherland Emergency Lights due to design works.
 - £0.110m has been rephased into 2025/26 for Merefield Roof Refurbishment and Playground Surfaces for the next phase of roof works.
 - £0.667m has been rephased into 2025/26 for Sporting Betterment for Schools due to delays with Deed applications.
 - £4.000m has been rephased into 2025/26 for Summerhill Primary School Expansion due to the scope of the project and a programme of works having not yet been established.
- **Highways**
 - £2.662m for Southport Investment Strategy Southport Town Centre and £0.995m for A59 Kenyons Lane has been rephased into 2025/26 following receipt of updated cashflows from the contractors.
- **Operational In-House Services**
 - £0.326m has been rephased into 2025/26 for Green Sefton Plant & Machinery for contingency purposes.
 - £1.054m has been rephased into 2025/26 for Vehicle Replacement Programme due to economic uncertainty within the market.

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. A £3.5m budget for Disabled Facilities Grants and £6.8m for schemes funded by the City Region Sustainable Transport Settlement have already been approved by Council in July and added to the programme. A further £2.2m of SCA and £1.4m of HNPCA capital schemes have been approved by Cabinet Member for Children, Schools and Families under delegated authority and allocated to the programme.

- 8.5 The list of schemes to utilise the remaining grant for 2024/25 is being fully developed and will be presented to the individual Cabinet Members for approval. A full list of the approved capital schemes will be presented in future reports to Cabinet.

Budget Monitoring Position to September 2024

- 8.6 The current position of expenditure against the budget profile to the end of September 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 September	Actual Expenditure to September	Variance to September
	£m	£m	£m
<u>Services</u>			
Adult Social Care	2.312	2.312	-
Children's Social Care	0.213	0.213	-
Communities	0.421	0.207	-0.214
Corporate Resources	0.659	0.714	0.054
Economic Growth & Housing	3.767	4.658	0.891
Education Excellence	2.096	2.112	0.016
Highways & Public Protection	5.962	5.962	-
Operational In-House Services	2.523	2.547	0.025
Property and Building Services	4.960	4.926	-0.034
<u>Total Programme</u>	22.912	23.651	0.739

Capital Programme Forecast Outturn 2024/25

- 8.7 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	9.611	9.905	0.294	1.874	-
Children's Social Care	2.633	2.633	-	-	-
Communities	1.767	1.764	-0.003	0.101	-
Corporate Resources	1.596	1.596	-	0.090	-
Economic Growth & Housing	19.470	19.417	-0.054	45.876	27.947
Education Excellence	8.593	8.457	-0.136	7.676	-
Highways & Public Protection	20.909	20.909	-	9.612	1.616
Operational In-House Services	8.526	8.526	-	3.783	1.515
Property and Building Services	7.799	7.799	-	2.500	2.387
<u>Total Programme</u>	80.905	81.007	0.101	71.484	33.466

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

8.8 The current 2024/25 budgeted spend is £80.905m with a budgeted spend to September of £22.912m. The full year budget includes exceptional items such as £13.611m 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.

8.9 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 £81m 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.

Capital Programme Outputs and Progress to September

8.10 The Council has spent £23.651m on its Capital Programme to the end of September 2024. The paragraphs below summarise the key areas of delivery and progress to date:

Adult Social Care

8.11 Disabled Facilities Grant Core Programme - from 1st April to 30th September, £1.896m has been spent. 202 adaptations were certified as complete on behalf of clients including items such as stair lifts, vertical lifts, bathroom adaptations, extensions, and hoists.

8.12 Community Equipment Store – between 1st April and 30th September, the service supplied 23,287 loan items to 6,472 Service Users.

Communities – Local Authority Housing Fund

8.13 The Local Authority Housing Fund (LAHF) helps UK councils to provide accommodation to families with housing needs who have arrived in the UK through Afghan resettlement and relocation schemes (ACRS) and who are accessing bridging hotel accommodation. The total funding available to Sefton was £1.300m towards purchasing an additional twelve family sized homes and one family sized temporary accommodation to families currently residing in bridging accommodation. This funding is to contribute to 40% of the cost of purchasing additional homes, plus £0.200m towards the cost of refurbishment.

8.14 The first acquisition was completed in May 2024 and since then there have been seven completed acquisitions in total with a combined acquisition value of over £1.000m. The LAHF R2 grant has provided 40% of the purchase price as well as refurbishment costs, as described in the grant prospectus. The total grant value issued is over £0.500m. The focus is on acquiring three bedroomed properties, however finding suitable properties has proven challenging in the current market. This is due to the limited funding envelope, demand for this type of property, and supply in desired areas.

8.15 The acquired properties are at different stages of refurbishment; however, one is already occupied by an Afghan family with two more families arriving during October 2024. Work continues on acquiring the remaining five properties so as to fully utilise the funding.

Corporate Resources

8.16 ICT Data Centre Relocation – the closure of St Peters House has necessitated the move of the remaining on-premises data centre footprint and ICT Support staff to a new location. This work is now nearing completion, and the capital monies have funded essential

works relating to the move including building works to create new office accommodation for the support staff, network cabling and rerouting, corporate connectivity to the new site, essential networking equipment, associated hardware and ancillary services such as air conditioning, as well as specialist removal costs and decommissioning of the old site at St Peters.

- 8.17 ICT Service Developments Cyber Security – procurement for Cyber Security updates is now completed on all elements required to improve the authority’s alignment to Cyber Security Standards. Implementation activity is nearing completion.

Growth and Strategic Investment Programme

- 8.18 Marine Lake Events Centre (MLEC) – the Marine Lake Events Centre demolition contractor has been appointed and is progressing on site along with significant utility diversions this year which have been completed ahead of schedule, including major water/sewerage diversions to allow future sheet piling works. Works now 45% complete with the theatre element demolished. Works to salvage the historic items such as the projectors, glass dome and other items have also been completed allowing the demolition of the Floral Hall to commence along with trial pits 13 meters deep. Demolition and enabling works will continue until early 2025. The main contractor procurement has been completed, this will be announced shortly with the contractor entering into a PCSA with the main contract then starting on site in 2025 once demolition and enabling works have been completed.

- 8.19 Crosby Enterprise Arcade – considerable progress this year following the start on site in January 2024 by the appointed contractor. Refurbishment of Crown Buildings in Southport’s town centre for a new business hub has completed all external works and scaffolding has been removed. Works are progressing well with the main contract and is expected to complete early in 2025.

- 8.20 Bootle Strand Repurposing – following approval in Dec 2023 for the Strand Business Plan and transformation business case, work has progressed with the appointment of the professional advisor team to develop RIBA Stage 3, tender and selection of a demolition contractor, securing vacant possession of key units to be demolished, survey and ground condition work including services diversions, preparing the planning application documentation and entering into a PCSA. There has also been substantial consultation for the proposed works, and the permanent Information Centre at 159 Parkside has been refurbished to enable continued engagement with members of the public from November 2024 onwards.

Education Excellence

- 8.21 The following Special Educational Needs and Disabilities schemes have been completed as at September 2024:

- Birkdale Primary - Replace Boiler in Small Boiler Room
- Birkdale Primary – Re-Surface Rooftop Playground
- Birkdale Primary – Asbestos Removal in Staff Room
- Christchurch CE Primary – Renew Flat Roof Coverings to Junior Hall
- Christchurch CE Primary – Replacement Window Frames
- Dale Acre PRU – Asbestos Removal in Boiler Room
- Crosby High - Repair Brickwork and Re-Pointing
- Daleacre - Supply Power to Gates
- Farnborough Rd Infants - Roof System - Wellbeing Centre
- Farnborough Road Juniors – Re-Point Brickwork
- Freshfield Primary – Electrical Re-Wire

- The Grange Primary – Phase 3 Electrical Re-Wire
- Hatton Hill Primary – Renew Roof Coverings to Main Link Corridor
- Hatton Hill Primary – Re-Point Brickwork
- Hudson Primary - Provide Mechanical Ventilation to Nursery
- Hudson Primary – Renew Flat Roof Coverings to the Main Hall and Stage
- Hudson Primary – Concrete Repairs and Brickwork Re-Pointing
- Hudson Primary – Drainage Repairs
- Kings Meadow Primary – Phase 2 Electrical Re-Wire
- Marshside Primary – Extend and Refurbish Existing Toilets
- Melling Primary – Refurbishment of Junior Boys and Girls Toilets
- Merefield Special School – Renew Flat Roof Coverings to Classroom Block
- Netherton Moss Primary – Install New Fire Shutter to Kitchen Servery

8.22 The following Schools Condition Allocation schemes have been completed as at September 2024:

- Crosby Bishop David Sheppard – Phase 1 – Create New ASD Base
- Newfield (St. Teresa's) – Conversion to Special School for KS1 and KS2
- Presfield HS – Internal Refurbishment to Create a new SEND Classroom
- Thomas Gray Primary - New ASD Classroom and Outdoor Play Area
- Waterloo Primary – Refurbish Existing ASD Classroom and Create New Outdoor Play Area

Highways and Public Protection

8.23 Integrated Transport Programme –

- Crosby Village access improvements were completed in August to upgrade junctions, pedestrian facilities and Public Realm in Crosby Town Centre.
- Work has been progressing on the two major schemes. Business cases have been approved by the Combined Authority, with Phase one of the Maritime Corridor scheduled to commence before Christmas and Phase 1 of Southport Eastern access in January 2025.
- Design of the A59 Accessibility Improvements has been completed and works scheduled to commence in November 2024

8.24 Highway Maintenance – work activities relating to highway maintenance, completed to September 2024 are as follows:

- Carriageways and Footways resurfaced or reconstructed (64,045 m²)
- Carriageway Preventative Type Surface Treatment Programmes: Surface Dressing (75,074m²)
- Extended Patching (432m²)

8.25 LED Street Lighting Project – project is ongoing and deliverables from 1st April to 30th September are as follows:

- 23,934 LED lanterns (including lanterns on column and slippers mentioned below)
- 4162 replacement columns/slipper columns
- 903 illuminated bollards replaced with non-illuminated
- 593 signs converted to LED
- Energy saving = 9,198,163 kWh and 2,014.42 tonnes of CO²

Operational In-House Services – Green Sefton

- 8.26 The Coastal Monitoring Programme has undertaken the annual programme of beach surveys and defence inspections across the northwest. We have expanded the radar monitoring programme with new stations at Blackpool. A series of coastal process reports that describe the coastal process and the coastline response have been produced for each local authority and share with those partners.
- 8.27 Green Sefton Plant and Machinery - 212 machinery assets have been purchased, including: 7 x tractors, 11 x amenity ride-on mowers, 6 x fine turf golf ride-on mowers, 9 x transport trailers, 11 x tractor mounted implements, 4 x tractor trailed implements, 1 x bobcat tracked loader, 2 x mini excavators, 30 x pedestrian machines, 63 x hand-held machines, 2 x utility vehicles, plus 66 ancillary items. The machinery assets provide the essential equipment required to delivery grounds maintenance operations for: Parks & Greenspaces, Designated Nature Reserves & Coastal Sites, Golf Courses, Sports Pitches and Cemeteries Burials and Maintenance.
- 8.28 Vehicle Replacement Programme – the replacement programme has continued with seven vehicles being purchased in the first two quarters of 2024/25.

Programme Funding

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

<u>Source</u>	£m
Grants and Other Contributions	55.852
Prudential Borrowing	17.238
Capital Receipts	7.602
Revenue Contributions	0.213
<u>Total Programme Funding</u>	80.905

- 8.30 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.
- 8.31 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.

9. Prudential Indicators 2024/25 – Update to September 2024

- 9.1 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:

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

Capital Expenditure				
	2023/24	2024/25	2025/26	2025/26

	£m Actual	£m Budget	£m Budget	£m Budget
TOTAL	40.937	80.905	71.484	33.466

9.3 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.

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

- Disabled Facilities Grants - £1.732m
- Community Equipment - £0.508m
- Corporate ICT Programme - £0.714m
- Property Acquisition - £4.775m
- Marine Lake Events Centre - £1.095m
- Enterprise Arcade Project - £0.498m
- The Strand Repurposing Programme - £2.685m
- Schools Programme - £1.541m
- Schools Special Educational Needs & Disabilities Programme - £0.571m
- Highways Integrated Transport Programme - £1.986m
- Highways Maintenance Programme - £1.934
- Urban Traffic Control - £0.574m
- LED Street Lighting Upgrade - £1.371m
- Plant, Vehicle and Equipment Purchases - £1.747m

Capital Financing Requirement:

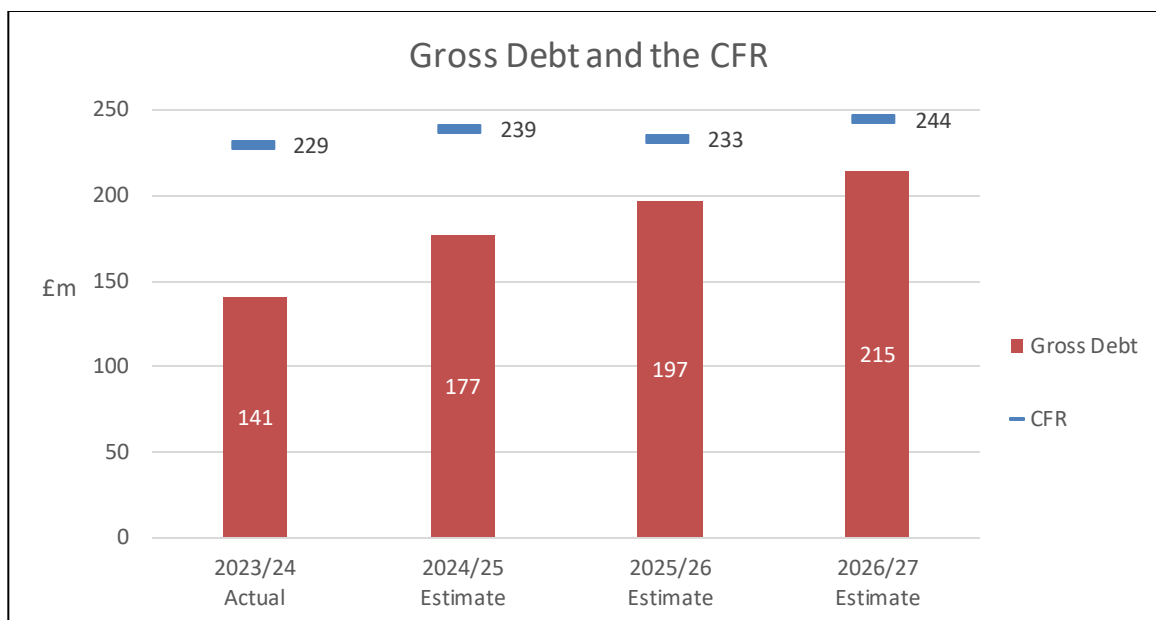
9.5 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (the statutory amounts set aside to repay debt).

Capital Financing Requirement				
	31/03/24 £m Actual	31/03/25 £m Forecast	31/03/26 £m Forecast	31/03/26 £m Forecast
CFR	229.472	238.618	232.658	244.180

9.6 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:

9.7 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:

9.8 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 30.09.2024 £m	Authorised Limit £m	Operational Boundary £m
Borrowing	153	153	195	170
Other Long-Term Liabilities	4	4	5	5
Total Debt	157	157	200	175

9.9 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 September 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:

9.10 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.

Net Income from Commercial and Service Investments to Net Revenue
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Stream				
	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
Ratio	1.2%	1.1%	1.1%	0.9%

9.11 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.

9.12 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:

9.13 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.

Financing Costs / Net Revenue Stream				
	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
Ratio	5.3%	5.5%	5.8%	5.7%

9.14 The forecast ratios calculated as at September 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.

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 b. These risks should be considered and aligned to the key financial and performance issues within this report.

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, Children's Social Care and Education Excellence (Home to School Transport). A revenue overspend of £6.603m is currently forecast.

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 section 8 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 (FD7824/24).

The Chief Legal and Democratic Officer (LD5924/24) 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

APPENDIX B – Corporate Risk Register – September 2024

Background Papers:

None