

FINANCIAL MONITORING REPORT – PERIOD 2 2024/25

SECTION 1: SUMMARY

Revenue Budget

- 1.1 This is the second Financial Monitoring Report of 2024/25, covering the period to September 2024. There will be a further Financial Monitoring Report covering quarter 3 and a final outturn report covering the full-year financial performance for 2024/25.
- 1.2 There is a forecast portfolio overspend of £8.910m against the updated net portfolio budget of £185.838m. There was a similar portfolio overspend in both 2022/23 and 2023/24, making 2024/25 the third consecutive year in which the Council is forecasting a significant overspend. This suggests that, despite the Council having allocated significant additional resource into both Children & Young People and Integrated Health & Social Care budgets in 2024/25, demand and price pressures are still having an impact. Failure to deliver planned savings is also contributing to the adverse position.
- 1.3 One-off corporate underspends are forecast to offset the portfolio overspend by £3.410m, resulting in a forecast net budget overspend of £5.500m, of which £2.284m relates to the non-delivery of savings. This presents a significant financial risk to the Council. Therefore, there is an urgent requirement for delivery of approved savings to be progressed and mitigating actions to be implemented by management to minimise this risk for both this and future years.
- 1.4 The forecast position is summarised in the table below.

Portfolio	Forecast Variance at P2 £000
Transport & Environment	+1,989
Finance & Governance	+85
People, Performance & IT	(91)
Inclusive Growth & Regeneration	+285
Integrated Health & Social Care	+800
Public Health	0
Business, Culture & Leisure	0
Children & Young People	+6,142
Supporting Neighbourhoods	(300)
Net Portfolio Position	+8,910
Corporate Budgets	(3,410)
Net Forecast Position 2024/25	+5,500

- 1.5 The most severe pressure is within Children & Young People where there is a forecast overspend of £6.142m, the main drivers of this being increasing demand, agency social work costs and unachieved savings. Placement costs associated with caring for children looked after, frontline social care staffing costs and costs relating to family support packages continue to be significant pressures. Actions continue to be progressed to try to mitigate and combat these challenges, as discussed at Annex C, section vii.
- 1.6 There is a forecast pressure of £1.989m in the Transport & Environment portfolio, primarily as a result of the unsuccessful retendering of the Recycling contract. Work continues to be ongoing to address this pressure, with an options appraisal now in progress.
- 1.7 The other main pressure is a forecast £0.800m overspend within Integrated Health & Care, reflecting ongoing demand pressures and the complexity of service users' needs. The most significant pressures are within Physical Support (Frail & Elderly) and Learning Disability Support.
- 1.8 At this stage, there is no overall forecast variance across the Finance & Governance and People, Performance & IT portfolios. In previous years, underspends within these portfolios have assisted in mitigating the overall budget pressure, but with staffing savings taken within these services, there is limited opportunity for further reductions.
- 1.9 If the forecast overspend is not reduced, 2024/25 will be the third consecutive year in which the Council has significantly overspent, requiring further unplanned use of reserves. This is not a sustainable position. As well as reducing the Council's financial resilience, Grant Thornton, the Council's external auditors, have raised a potential risk around an unfavourable risk assessment in the future. It is vital for the Council's financial sustainability that it is able to control its costs and operate within its approved budgets.
- 1.10 In response to this severe situation and discussions with the Executive Management Board, the following measures will be implemented with immediate effect like in previous years:
- A recruitment freeze
 - The cessation of all non-essential expenditure
 - Continued review and reduction of agency workers
- These measures are vital to ensure that the ongoing pressures are mitigated.
- 1.11 The 2024/25 approved budget allowed for pay inflation to be in the region of 4%. Agreement has now been reached with the National Employers on rates of pay applicable from 1 April 2024. The rates being an increase of £1,290 per annum or 2.5% whichever is the higher amount. This equates to an overall average increase of around 4%. It is therefore not envisaged that the pay award will generate either a significant pressure or underspend in 2024/25.
- 1.12 It is critical that the severe forecast overspend position continues to be closely monitored during the year and reported on in subsequent Financial Monitoring

Reports and other reports, with significant focus via the Budget & Performance Monitoring Board.

Savings

- 1.13 The 2024/25 budget was approved by Council on 6 March 2024. In doing so, Members agreed to the delivery of £6.463m of savings during the year. This is in addition to £2.912m of savings previously approved for 2024/25, along with £3.602m of savings slipped from previous years. Section 3 of this report provides a summary of the latest position in relation to the progress towards delivering these savings, and portfolio commentaries provide additional information.
- 1.14 At this stage, it is forecast that savings of £4.752m (36.62%) may not be fully delivered in the year due to delays in implementation or them no longer being achievable. With identified one-off mitigations of £2.597m, the total forecast financial saving is currently £2.155m less than required: a deterioration of £0.332m from the position reported at period 1. This is a contributing factor to the significant forecast overspend. Delivering savings is always challenging, and the Council remains committed to the delivery of the savings plans approved by Full Council. It is critical that these continue to be addressed and implemented over the remainder of the year to ensure that savings are delivered or alternative permanent reductions in expenditure are found or additional income is generated.
- 1.15 It should also be noted that a number of savings that are currently classed as on track to be delivered have not yet been implemented, with decisions to be approved at a future date.

Financial Outlook

- 1.16 The Medium-Term Financial Strategy (MTFS) was approved by Council on 6 March 2024 and was underpinned by a number of key assumptions relating to funding and spending. The assumptions were themselves based in part on the Government's own assumptions regarding levels of inflation and other matters. They will continue to be reviewed and refreshed, with future reports being brought to Cabinet.
- 1.17 Local government is facing significant challenges as a sector, after more than a decade of austerity and government cuts and given the crisis engulfing both adults' and children's social care amid continually increasing demand. In the absence of any significant additional government support, these challenges will remain and will continue to require robust financial management.
- 1.18 The change in government may address some of these challenges. The budget announcement on 30 October 2024 included additional funding for local authorities. The specific details of the funding and indicative Councils allocations will follow as part of the Provisional Settlement in late December 2024.

Capital Budget

- 1.19 The capital programme covers a three-year period through to 2026/27. The capital budget has been updated to reflect new schemes approved in the last quarter. Schemes have also been reprofiled to reflect the latest spending estimates.
- 1.20 The key revisions to the capital programme this period include significant additional grant-funded schemes:
- (i) Enabling works for the St Helens Town Multi-Modal Transport Interchange
 - (ii) Addition of Cowley Hill Link Road Scheme
 - (iii) Additional funding for Peasley Cross Roundabout Active Travel Scheme
- 1.21 The capital programme has also been updated to reflect proposals on this agenda, subject to Cabinet approval.

Further details are included in Section 4 and Annex F to this report.

Reserves and Balances

- 1.22 Section 5 of this report provides detail on the Council's reserves and balances. As part of the Medium-Term Financial Strategy 2024-2027, Members approved the Council's current Reserves Strategy, which is focused on supporting performance, transformation, regeneration and growth, as well as ensuring financial sustainability and resilience to changes in funding, inflationary pressures and other unexpected events. Having said this, the Council's reserves are not excessive, and it is essential to protect reserves to ensure future financial resilience and stability.
- 1.23 Based on the projected overspend outlined in Table 1, the level of general fund balances at 31 March 2025 is forecast to be £6.500m. This is in contrast to the approved Reserves Strategy, which identifies the Council's required level of general balances as being £12m. The latter is considered a prudent minimum amount set aside for exceptional circumstances. Should the projected overspend for 2024/25 not be mitigated, use of some £5.500m of earmarked reserves will again be necessary in 2024/25 to replenish general balances. The combination of significant overspends and a level of reserves which is not excessive is a key risk.

Treasury Management

- 1.24 The Interim Treasury Management Strategy Report 2024/25 is included at Annex G.

SECTION 2: REVENUE BUDGET

- 2.1 The budget and forecast outturn positions for 2024/25 are summarised in Table 1. At the end of period 2 there is a projected portfolio budget pressure of £5.500m.
- 2.2 The figures detailed in Table 1 exclude any implications of the 2024/25 pay award, which is noted in paragraph 1.13

Table 1 – Revenue Budget 2024/25	Current Budget	Forecast outturn at P2	Variance at P2 + / - (b)-(a)	Variance at P1 + / -	Section Reference Annex C
	(a)	(b)	(b)-(a)	+ / -	
	£000	£000	£000	£000	
Transport & Environment	23,511	25,500	+1,989	+1,481	(i)
Finance & Governance	7,589	7,674	+85	0	(ii)
People, Performance & IT	0	(91)	(91)	0	(ii)
Inclusive Growth & Regeneration	4,323	4,608	+285	0	(iii)
Integrated Health & Social Care	67,991	68,791	+800	+500	(iv)
Public Health	282	282	0	0	(v)
Business, Culture & Leisure	4,729	4,729	0	0	(vi)
Children & Young People	68,165	74,307	+6,142	+643	(vii)
Supporting Neighbourhoods	9,248	8,948	(300)	0	(viii)
Net Portfolio Budgets	185,838	194,748	+8,910	+2,624	
Levies & Precepts	24,232	24,232	0	0	
Treasury Management	9,609	7,497	(2,112)	(112)	
Restructuring Costs*	1,000	500	(500)	0	
Transfers to / (from) Earmarked Reserves	(2,926)	(2,926)	0	0	
Capital Charges	(17,768)	(17,768)	0	0	
Net Corporate Items	14,147	11,535	(2,612)	(112)	
Council Tax	(96,197)	(96,197)	0	0	
Collection Fund**	(388)	(659)	(271)	(271)	
Formula Top-Up	(19,419)	(19,419)	0	0	
Business Rates / Section 31 Grant	(77,657)	(77,657)	0	0	
2024/25 Services Grant	(323)	(323)	0	0	
Other Funding	(6,001)	(6,528)	(527)	0	
Funding	(199,985)	(200,783)	(798)	(271)	
NET POSITION 2024/25	0	5,500	+5,500	+2,241	

* Net of £1.000m sum applied via Flexible Use of Capital Receipts Strategy.

** Collection Fund figure includes the prior-year net surplus on Council Tax and Business Rates plus a reimbursement to earmarked reserves relating to shortfalls in Section 31 grants received in prior years.

- 2.3 The previous budget approved by Cabinet on 10 July 2024 has been revised to include:
- (i) Approved use of earmarked reserves in the period (see Annex D)
 - (ii) Neutral technical adjustments relating to recharges and capital charges

- 2.4 Details of portfolio budget movements can be found in Annex A. This report also provides details of the forecast outturn position on a priority basis at Annex B.
- 2.5 There is a forecast underspend of £2.000m relating to Treasury Management activity as a result of, interest receivable from investments exceeding the budget due to higher than expected rates of return in the first 6 months of the year and higher cash holdings.
- 2.6 There is a forecast underspend of £0.112m relating to the Minimum Revenue Provision, as a consequence of changes to the profile and financing of the Council's capital programme.
- 2.7 When setting the 2024/25 budget, provision of £1.000m was set aside (net of budgeted £1.000m flexible use of capital receipts) to fund costs associated with the restructuring and reconfiguring of Council services. Current forecasts suggest that this budget will not be fully utilised in 2024/25, with slippage of £0.500m anticipated.
- 2.8 There is also an underspend of £0.271m as a result of a favourable variance on Section 31 grants received in 2023/24. This will materialise in 2024/25 due to the prescribed statutory mechanics of the Collection Fund.
- 2.9 As part of the Mid-Mersey Business Rates Pool arrangement with Warrington and Halton Borough Councils, St Helens is due a sum of £0.527m in relation to previous financial years, this being a proportionate share of the levy savings that would otherwise have been payable in relation to Warrington's Business Rates growth. This sum has been included in the forecasts at Table 1 above.
- 2.10 Commentary in relation to the key portfolio variances is detailed in Annex C.

SECTION 3: IMPLEMENTATION OF 2024/25 SAVINGS PROPOSALS AND OUTSTANDING SAVING PROPOSALS FROM PRIOR YEARS

- 3.1 The budget for 2024/25 was set against a backdrop of significant demand and inflationary pressures, with significant savings that must be delivered during the year to protect the Council's financial position. It is imperative that approved savings are delivered in a timely manner.
- 3.2 As Table 2 shows, of the required savings total of £12.977m, it is currently forecast that only 63.38%% of these savings will be achieved in year: a worse position than that reported at period 1.

Table 2 - Budget Savings 2024/25	Total Saving Requirement 2024/25 £000	Savings on track to be delivered £000 (a)	Slippage on delivery in year £000 (b)	Saving Not Achievable £000 (c)	Mitigation 2024/25 £000 (d)
Corporate Services	839	839	-	-	-
Integrated Health & Care	3,114	2,144	970	-	725
Children's Services	3,873	1,963	1,910	-	-
Public Health	427	173	254	-	254
Place Services	1,727	109	1,618	-	1,618
Council-Wide	2,997	2,997	-	-	-
Total	12,977	8,225	4,752	-	2,597
%	100%	63.38%	36.62%	0%	
Total forecast financial saving 2024/25 (a)+(d)	10,693				

- 3.3 The value of savings that are on track to be delivered is £8.225m. This is £1.040m less than the figure reported at period 1.
- 3.4 Of the £4.752m of savings that have not yet been achieved, temporary mitigations of £2.597m have been identified for 2024/25 only. Allowing for these mitigations, the total forecast financial saving is still £2.155m less than required. This is contributing to the severe overspend forecast for 2024/25. Further work is needed to bring these savings forward in order to minimise the impact on outturn.
- 3.5 The main pressure is within Children's Services, where there are £1.910m of unachieved savings without any temporary mitigations in place. These can be summarised as follows:

Nature of saving	Slippage on delivery £000
Review of Children's Centres and Early Help Services	212
Residential Care Provision	1,098
Therapeutic Foster Care	500
Direct Payments	100
Total	1,910

- 3.6 Slippage in relation to the review of residential care arrangements mainly reflects delays in purchasing suitable properties for the provision of residential care accommodation, with a review of options relating to the refurbishment of Windlehurst Cottage ongoing and the purchase of four additional properties currently at various stages of completion.
- 3.7 Saving from the Review of Children's Centres and Early Help Services will be achieved through the cessation of early years provision at two children's centres, though the full saving will not be realised in 2024/25. A service review is ongoing.
- 3.8 The pressures in relation to therapeutic foster care reflect challenges in the recruitment of specialist foster carers. A recruitment drive remains ongoing.

- 3.9 Within Adult Services, there are £0.970m of unachieved savings which are only temporarily being mitigated by one-off underspends in 2024/25.
- 3.10 Within Place Services, there are £1.618m of unachieved savings which are only temporarily being mitigated by one-off underspends in 2024/25.
- 3.11 The non-achievement of savings is exacerbating the pressure on the Council's financial position. It is essential that action is taken immediately to deliver approved savings in full or identify appropriate alternatives to offset savings that have slipped or can no longer be delivered. These actions will continue to be monitored and challenged through the Budget and Performance Monitoring Board, which has been established to monitor implementation of savings throughout 2024/25 and ensure that directorates are accountable for the delivery of approved savings.

SECTION 4: CAPITAL PROGRAMME 2024/25 to 2026/27

- 4.1 The capital budget has been updated to reflect revised expenditure profiles for capital schemes. This includes reprofiling a number of grant funded schemes to the next financial year to reflect the latest forecast spend.
- 4.2 In addition, other key revisions to the programme this period relate to:
 - (i) Addition of the full scheme for the St Helens Multi Modal Interchange and enabling works on the temporary Bus Hub following acceptance of £35m capital funding from the Liverpool City Region Combined Authority as approved by Cabinet at its meeting in September 2024.
 - (ii) Addition of the Cowley Hill Link Road scheme, to support with provision of high quality access to the Cowley Hill Development site and also provide alternative traffic routes into St Helens town centre. This is funded by a £10m grant from Liverpool City Region Combined Authority, as approved by Cabinet at its meeting in October 2024.
 - (iii) Additional funding for the Peasley Cross Roundabout Active Travel scheme of £2m, awarded by the Liverpool City Region Combined Authority and accepted by Cabinet at its meeting in October 2024.
 - (iv) Addition of the Evelyn Avenue Remedial Works scheme of £1m to support decontamination of the site and preparation for redevelopment, funded by a grant from the One Public Estate Brownfield Land Release fund, accepted via an urgent Leader Decision on 19 September 2024.
- 4.3 Additional proposals for capital expenditure are included on this agenda and have been reflected in the capital programme presented here. Subject to approval by Cabinet they will be formally included in the capital programme:
 - (i) Addition of £1.189m over 2024/25 to fund pre-development costs for Project Halo, to be financed using Tax Increment Financing
 - (ii) Addition of £350k to implement a new Revenue and Benefits system.

- 4.4 In setting the 2024/25 budget, the Council approved the deferral of the capital pipeline to achieve savings on the revenue impact of financing capital schemes through borrowing. In order to mitigate the impact of the deferral, £10m of capital receipts were set aside to fund schemes over the next three years which meet specific criteria, focussed on essential maintenance, health and safety works, and leveraging match funding for key strategic schemes. The balance of this fund has been reflected in the capital programme.
- 4.5 Business cases for a number of key priorities for investment have been considered through the Council Capital Gateway Process, including essential health and safety works at Hardshaw Brook Depot and replacement of the revenue and benefits system. Proposals for these schemes are being brought forward for consideration and subject to Cabinet or delegated approval, will be added to the capital programme. As set out in paragraph 4.3, schemes on this agenda are reflected in the presented capital programme, subject to Cabinet approval of the proposals.
- 4.6 Table 3 presents a summary of the Council's current 3-year capital programme. The detailed programme is provided at Annex F.

Table 3 - Capital Programme 2024/25 to 2026/27*	2024/25 £000	2025/26 £000	2026/27 £000
Children & Young People	6,207	14,564	1,858
Integrated Health & Social Care	350	0	0
Supporting Neighbourhoods	5,390	4,406	3,868
Business, Culture & Leisure	3,715	0	0
Finance & Governance	626	0	0
People, Performance & ICT	1,243	0	0
Transport & Environment	46,546	14,015	9,418
Inclusive Growth & Regeneration	79,997	59,275	35,676
Cross Portfolio	2,180	3,333	3,334
Total	146,254	95,593	54,154
FINANCED BY			
Grants and Other Contributions	87,285	55,620	26,291
Capital Receipts	3,935	3,392	3,759
Revenue Contribution	1,109	24	0
Borrowing	53,425	35,868	24,104
Tax Increment Financing (Borrowing)	500	689	0
Total	146,254	95,593	54,154

*Including proposals on the same agenda, subject to Cabinet approval

SECTION 5: RESERVES AND BALANCES

5.1 General Balances

The general balances position at 31 March 2025 is forecast to be as follows, having regard to the net current forecast outturn position detailed in Table 1.

Table 4 – General Balances	Original Estimate £000	Forecast Outturn £000
General Balances at 1 April 2024	12,000	12,000
Net Position 2024/25	-	(5,500)
General Balances at 31 March 2025	12,000	6,500

- 5.1.1 The Council recognises that the level of reserves it maintains must reflect its future priorities and the operational and financial risks it faces. The Council's current Reserves Strategy is included within the Medium-Term Financial Strategy 2024-2027 and Revenue and Capital Budget 2024/25 report considered by Cabinet on 28 February 2024 and approved by Council on 6 March 2024.
- 5.1.2 The forecast unfavourable movement in 2024/25 is due entirely to the forecast overspend of £5.500m detailed at Section 2.
- 5.1.3 The Council's required level of general balances is identified as being £12m. This is considered a prudent amount set aside to cushion against uncertainty and act as an emergency fund in exceptional circumstances. As outlined at paragraph 1.24, this figure will decrease to £6.500m if the forecast overspend is not reduced. This presents a severe risk to the Council's financial resilience.

5.2 Earmarked Balances

The forecast position in relation to earmarked balances at 31 March 2025 is provided in Table 5. Annex D details approved use of earmarked balances during the period and Annex E provides details of earmarked balances to 2026/27.

Table 5 – Earmarked Balances	£000
Earmarked Balances at 1 April 2024	44,395
Transfer to / (from) during the year*	(4,903)
Forecast Earmarked Balances at 31 March 2025	39,492

* Includes an estimated transfer from earmarked balances of £0.235m to fund planned expenditure on the Council's Agile Hubs owing to recently implemented changes in working arrangements for Council staff.

5.3 Schools Balances

The projected position reflects schools' current spending plans for the financial year, as approved by the individual governing bodies.

Table 6 – School Balances	£000
School Balances at 1 April 2024	10,015
Forecast Net Position 2024/25	(1,015)
Forecast School Balances at 31 March 2025	9,000

5.4 Usable Capital Receipts

Table 7 – Usable Capital Receipts	£000
Capital receipts brought forward at 1 April 2024	19,012
Receipts generated in year to date from land, property and fleet sales	376
Receipts set aside to resource the transformation programme where the use of flexibilities can be applied	(1,000)
Required to fund capital programme 2024/25 to 2026/27 (including capital receipts repurposed for capital investment per approved MTFS to be applied to scheme)	(11,086)
Available Balance (after taking commitments into account)	7,302

SECTION 6: DEDICATED SCHOOLS GRANT

6.1 The current Dedicated Schools Grant (DSG) position is summarised below.

Table 8 – Dedicated Schools Grant allocation 2024/25	£000
Schools Block	84,543
High Needs Block	32,545
Early Years Block	21,153
Central School Services Block	1,262
Total DSG received by the Authority	139,503
<u>Other DSG funding / adjustments</u>	
Academy Schools	59,942
Business Rates	1,302
Directly funded SEND places	1,396
Total DSG for St Helens	202,143

6.2 It is currently forecast that there will be an in-year budget pressure of £1.174m in relation to the DSG. However, there is a cumulative net prior-year surplus of £1.881m, resulting in a projected overall surplus outturn of £0.707m as at 31 March 2025.

6.3 The main area of pressure relates to the high needs block of the DSG, which is forecast to overspend in 2024/25 by £1.617m. The most significant area of pressure within the high needs block relates to independent school fees for pupils who cannot be educated in either a mainstream setting, a resource base, or one of the Council's maintained special schools. There are also significant pressures associated with costs to support children remaining in mainstream settings.

- 6.4 Funding has been set aside within the high needs block to resource new and intended SEND bases and the new free school, and to manage demand. Whilst these budgets are underspent in 2024/25, they will be required in future years as the additional places become available. These developments are necessary to help both the Council and schools manage the underlying level of demand associated with the number of pupils who have Statements or Education, Health and Care Plans. Places in these settings are usually at a significantly lower cost than out-of-borough alternatives.
- 6.5 An increasing number of local authorities are experiencing significant DSG pressures due to the rising demand associated with pupils with additional educational needs. Locally, it is expected that such costs will continue to rise, resulting in increased pressures on the DSG, potentially leading to cumulative deficits in future years.

SECTION 7: OTHER FINANCIAL MONITORING MATTERS

7.1 External Grant Funding

7.1.1 Household Support Fund

On 2 September 2024, the Government announced a further six-month extension of the Household Support Fund for the period 1 October 2024 to 31 March 2025. St Helens' allocation is £1.780m, taking the total allocation for the year to £3.559m.

7.1.2 Local Cycling and Walking Infrastructure Plan Development Funding

The Council has been awarded £0.538m of funding from the Liverpool City Region Combined Authority to support development work on the St Helens to Widnes Active Travel route. This funding will enable the Council to undertake pre-construction development of the active travel route, in anticipation of future capital funding to deliver the infrastructure improvements. Cabinet is recommended to accept the funding and delegate authority to the Executive Director of Place, in consultation with the Director of Legal and Governance, to enter into a grant funding agreement with the Combined Authority for the scheme.

7.1.3 Active Travel Fund – Tranche 4

The Liverpool City Region Combined Authority has awarded the Council £0.850m to fund part 1b of the Lea Green to Whiston Hospital Active Travel scheme. Delegated Executive Decision 0043 provides further details.

7.1.4 Highways Maintenance Funding

In November 2023, the Department for Transport announced £8.3 billion of redirected HS2 funding to repair and resurface roads, with funding allocated through to 2034. Of this, the Liverpool City Region Combined Authority was awarded an allocation of £2.684m for 2024/25, of which the Council's share is £0.375m. Delegated Executive Decision 0042 provides further details.

7.1.5 Young Person’s Guarantee Grant

The Liverpool City Region Combined Authority has awarded the Council funding of £0.093m for 2024/25 from its Young Person’s Guarantee Fund to deliver employment and training support to 18-to-24-year-olds. Operational Decision ENVP003510-P provides further details.

7.2 Omega Bus Service Legal Agreement

Cabinet is recommended to delegate authority to the Executive Director of Place Services to enter into a funding agreement with Merseytravel for the procurement of cross-border bus services to Omega West. The Omega West bus service is planned to begin operation in late 2024 to serve the new units opening at Omega West. Entering into a contract with Merseytravel is crucial in getting the service operational. The agreement will allow Section 106 funds totalling £0.775m secured by the Council for the Omega West development to be transferred over to Merseytravel who will procure, manage and help operate the Omega West bus service contract on behalf of the Council.

7.3 Term-Time-Only Staff Employment Tribunal Claims

7.3.1 As noted in previous Financial Monitoring Reports, the Council has received a number of legal claims for historical back-payments of holiday pay as a consequence of the July 2022 Supreme Court ruling in relation to term-time-only workers.

7.3.2 The Council continues to make settlement offers in response to these claims. As part of the closure of the 2023/24 accounts, provision was set aside to cover these costs and it is not currently envisaged that costs will exceed this provision.

SECTION 8: TREASURY MANAGEMENT POSITION STATEMENT

8.1 A summary of the Council’s Treasury position at the end of the reporting period is included in Table 9. The Interim Treasury Management Strategy is included in Annex G.

Table 9 – Treasury Management Position	As at 1 April 2024	As at Previous Period	As at Current Period
Investments Outstanding	£107.7m	£138.9m	£133.1m
Investment Returns (average for the year to date)	-	5.405%	5.353%
Benchmark Returns	-	5.225%	5.206%
Borrowing	£132.5m	£132.5m	£132.5m

Budget movements since the previous reporting period**Annex A**

PORTFOLIO	Approved Budget £000 *1	Use of Reserves In Period £000 *2	Earmarked Reserves Not Required £000 *2	Technical & Accounting Adjustments £000 *3	Current Budget £000
Transport & Environment	23,446	-	-	65	23,511
Finance & Governance	7,532	96	-	(39)	7,589
People, Performance & IT	-	88	(37)	(51)	-
Inclusive Growth & Regeneration	4,251	-	-	72	4,323
Integrated Health & Social Care	67,926	-	-	65	67,991
Public Health	282	-	-	-	282
Business, Culture & Leisure	4,816	35	-	(122)	4,729
Children & Young People	67,769	-	-	396	68,165
Supporting Neighbourhoods	9,223	-	-	25	9,248
TOTAL DIRECTORATE BUDGETS	185,245	219	(37)	411	185,838
Council-Wide Budgets	(185,245)	(219)	37	(411)	(185,838)
Net Position 2024/25	-	-	-	-	-

*1 Approved budget – Council, 10 July 2024

*2 Use of earmarked reserves during the period (see Annex D)

*3 Neutral technical and accounting adjustments (e.g. recharges and capital charges)

Portfolio Budgets on a Priority Basis

	Current Net Budget 2024/25 £000	Forecast Outturn 2024/25 £000	Variance 2024/25 £000
Priority 1 – Ensure children and young people have a positive start in life	68,165	74,307	+6,142
Priority 2 – Promote good health, independence, and care across our communities	67,991	68,791	+800
Priority 3 – Create safe and strong communities and neighbourhoods for all	9,505	9,205	(300)
Priority 4 – Support a strong, thriving, inclusive and well-connected local economy	5,257	5,596	+339
Priority 5 – Create green vibrant places that reflect our heritage and culture	27,973	29,177	+1,204
Priority 6 – Be a modern, efficient and effective Council	6,947	7,672	+725
Total	185,838	194,748	+8,910

Annex C

(i) Transport & Environment

Transport & Environment	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e)=(d)-(c)	Variance P1 2024/25 £000
Place Services Directorate						
Parking Services	1,278	(1,202)	76	301	+225	0
Highways Maintenance	11,976	(2,557)	9,419	9,429	+10	0
Street Lighting	2,271	(156)	2,115	2,130	+15	0
Traffic Management & Road Safety	884	(286)	598	549	(49)	0
Transport Planning, Policy & Strategy	834	0	834	810	(24)	0
Parks & Open Spaces	2,762	(197)	2,565	2,524	(41)	0
Street Cleansing	2,234	(186)	2,048	2,013	(35)	0
Cemetery and Crematorium	2,000	(2,667)	(667)	(628)	+39	0
Waste Collection	3,257	(823)	2,434	2,569	+135	0
Recycling	7,006	(3,113)	3,893	5,384	+1,491	+1,537
Climate Change	103	(25)	78	68	(10)	0
Direct Services	22,441	(22,323)	118	(194)	(312)	+194
Management & Support Services	1,691	(1,691)	0	545	+545	(250)
Councillor Improvement Fund	0	0	0	0	0	0
Total	58,737	(35,226)	23,511	25,500	+1,989	+1,481

- 1.1 The portfolio is currently projecting an overspend of £1.989m.
- 1.2 Unachieved staffing savings across the portfolio are currently generating a pressure of £0.634m, while unachieved locality savings are causing a £0.142m pressure. These are being partly mitigated by a £0.347m underspend within Transport and employee slippage of £0.231m within the Place Services management budget.
- 1.3 There is a forecast budget pressure of £0.200m within Parking Services relating to an unachieved saving for charging on out-of-town-centre car parks.
- 1.4 Waste Collection is forecasting a pressure of £0.112m. This relates to an unachieved saving for moving to three-weekly bin collections, for which an action plan is currently being devised tying in with the Recycling pressure reported at 1.5 below.
- 1.5 Recycling is forecasting a budget pressure of £1.491m. As reported at period 1, the service is out of contract due to lack of tenders, which has resulted in the introduction of a gate fee per tonne and loss of recyclable sales income. The forecast for the full year is additional gate fee charges of £1.323m and a £0.247m loss of income, based on the same tonnages disposed of in 2023/24. This is being partially mitigated by employee slippage within the service of

£0.136m and other small underspends across the service. There is also a £0.106m unachieved saving relating to the Commercial Strategy.

- 1.6 There is a forecast pressure of £0.112m within the School Meals service. A significant amount of work has been undertaken to address this overspend, particularly in relation to primary and secondary school meal prices, where an uplift has been applied across the board. Should the uptake remain unaffected by this uplift, it is anticipated that the pressure will have reduced to £0.112m from the £0.300m reported at period 1. Work remains ongoing to review the primary model, as well as reviewing contracts with suppliers to ascertain if further savings can be made.

(ii) Finance & Governance

Finance & Governance	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) = (d)-(c)	Variance P1 2024/25 £000
Corporate Services Directorate						
Local Tax Collection	5,110	(3,383)	1,727	1,683	(44)	0
Contact Centre	1,866	(1,866)	0	(54)	(54)	0
Emergency Planning	123	0	123	124	+1	0
Local Welfare Assistance Schemes	3,738	(3,559)	179	179	0	0
Grants & Donations	43	0	43	43	0	0
Non-Distributed Costs	1,240	(34)	1,206	1,206	0	0
Finance	7,275	(7,275)	0	38	+38	0
Audit & Risk	1,486	(1,486)	0	(5)	(5)	0
Coroners Court Services	270	0	270	340	+70	0
Registration of Births, Deaths & Marriages	330	(232)	98	91	(7)	0
Democratic Representation & Management	1,663	0	1,663	1,671	+8	0
Elections	436	(53)	383	383	0	0
Governance & Administration	283	(283)	0	0	0	0
Legal Services	1,992	(1,992)	0	72	+72	0
Housing Benefit Administration	43,821	(43,564)	257	257	0	0
Corporate Management	1,640	0	1,640	1,646	+6	0
Other Services	129	(129)	0	0	0	0
Total	71,445	(63,856)	7,589	7,674	+85	0

(ii) **People, Performance & IT**

People, Performance & IT	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/24 £000 (d)	Variance P2 2024/25 £000 (e) = (d) - (c)	Variance P1 2024/25 £000
Corporate Services Directorate						
People Management	3,272	(3,272)	0	45	+45	0
I.T.	7,096	(7,096)	0	(120)	(120)	0
Press and Public Affairs	1,442	(1,442)	0	(22)	(22)	0
Policy Development	2,485	(2,485)	0	6	+6	0
Organisational Development	1,131	(1,131)	0	0	0	0
Total	15,426	(15,426)	0	0	(91)	0

- 2.1 At the midpoint of the year, it is anticipated that the two Corporate Services portfolios will outturn within budget.
- 2.2 There are a number of vacant posts across both portfolios, and it is forecast at this stage that there will be an underspend on staffing budgets of £0.240m. There is the potential that this figure will increase by the end of the financial year as further vacancies arise due to staff movement, but there has been significant staff savings already made across the two portfolios'
- 2.3 Within the Finance & Governance portfolio there are two areas of pressure to note:
- Information received from Sefton Council in relation to the Coroners Service indicates that there will be a pressure on that budget of circa £0.070m. Officers at Sefton Council have advised that the increase in costs for the service is in part due to a new Post-Mortem & Mortuary Service Level Agreement with Mersey & West Lancashire Teaching Hospitals NHS Trust at Whiston Hospital.
 - The dividend receivable from Yorkshire Purchasing Organisation (YPO) is forecast to be below budget by circa £0.170m. This has generated a recurring pressure in recent years, and efforts are ongoing to determine the position for 2024/25 through continued work with YPO.
- 2.4 As reported at period 1, the two Corporate Services portfolios have a combined staffing savings target of £1.260m over the next two years, with £0.630m of this relating to 2024/25. Staffing reductions have been delivered through the Council's MARS programme and the removal of vacant posts to meet the required savings for 2024/25. Work in relation to 2025/26 staff savings is continuing.
- 2.5 It should be noted that all savings in the two portfolios are on track to be achieved this year.
- 2.6 In 2023/24, there was a significant pressure in Housing Benefit Administration. Work is ongoing to determine the extent of this pressure in 2024/25.

2.7 It is anticipated likely that in some areas pressures will materialise during the year across the two corporate portfolio's, but work is continuing to identify non staffing budget under / overspends, and potential any underspends mitigating any portfolio pressures. An update on this position will be provided in the next Financial Monitoring Report.

(iii) Inclusive Growth & Regeneration

Inclusive Growth & Regeneration	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) =(d)-(c)	Variance P1 2024/25 £000
Place Services Directorate						
Economic Development	1,179	(1,023)	156	102	(54)	0
Building Control	792	(372)	420	567	+147	0
Development Control	2,019	(1,064)	955	902	(53)	0
Planning Policy	805	(175)	630	571	(59)	0
Estates - Industrial & Commercial Premises (including Town Centre)	6,796	(5,881)	915	721	(194)	0
Market Undertakings	934	(359)	575	600	+25	0
Growth Delivering Prosperity	7,573	(6,926)	647	673	+26	0
Management & Support Services	1,604	(1,604)	0	300	+300	0
Building Support Services	6,308	(6,308)	0	230	+230	0
Estates Management	605	(605)	0	(83)	(83)	0
Total	28,615	(24,317)	4,298	4,583	+285	0

3.1 The portfolio is currently projecting an overspend of £0.285m.

3.2 There are unachieved savings of £0.230m for office rationalisation at Wesley House and Lincoln House. Savings can only be achieved once sale and disposal of Lincoln House and Wesley House have been secured. There is also a £0.140m unachieved saving relating to the Millennium Centre and Beacon Building leaseholds, of which key dependencies will be the notice period to terminate lease arrangements and make alternative accommodation arrangements.

3.3 It is anticipated that these unachieved savings will be mostly mitigated by windfall income of £0.347m relating to the granting of an easement for drainage across Council-owned land.

3.4 There is an unachieved saving of £0.139m for the review of the Economy Service, which is being mitigated by the utilisation of UK Shared Prosperity Fund grant funding until March 2025. Options had to be further reviewed as a result of the closure of St Helens Chamber.

3.5 There is an anticipated capital fee income shortfall of £0.300m. This was also a pressure in 2023/24.

3.6 Other unachieved savings pressures include £0.032m relating to staff savings in Market Undertakings, £0.013m in relation to the Commercial Strategy and £0.026m for the storage and installation of Christmas lights.

3.7 There is also a pressure within Building Control of £0.147m, due to a shortfall in income.

3.8 Employee slippage across the portfolio of £0.249m is mitigating the above pressures.

(iv) Integrated Health & Social Care

Integrated Health & Social Care	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) =(d)-(c)	Variance P1 2024/25 £000
People's Services Directorate						
Physical Support - Frail & Elderly	41,317	(25,866)	15,451	16,672	+1,221	+291
Sensory Support	1,506	(300)	1,206	869	(337)	+41
Support with Memory & Cognition	17,493	(8,108)	9,385	8,356	(1,029)	+72
Learning Disability Support	41,480	(13,580)	27,900	29,439	+1,539	+13
Mental Health Support	5,937	(1,071)	4,866	4,919	+53	+227
Assistive Equipment & Technology	4,644	(3,340)	1,304	1,154	(150)	0
Care Management - Assessment & Review	12,808	(4,929)	7,879	7,633	(246)	(50)
Transport and Generic Services	1,676	(1,676)	0	0	0	0
Management, Commissioning & Support Services	5,290	(5,290)	0	(250)	(250)	(94)
Total	132,151	(64,160)	67,991	68,791	+800	+500

4.1 The Integrated Health & Social Care position has moved adversely by £0.300m since period 1 to a forecast overspend position of £0.800m. The main causes of this movement are:

- Increased pressure in the Pooled Budget with the ICB: a £0.277m increase from period 1. This has been caused by the transfer of financial risk to the Council as the Health Service continues on its journey to delivering on its Continuing Healthcare ambitions and achieving its agreed financial targets. There is a risk that the Council's exposure to financial risk may increase further in future periods as a result of this.
- Two new high-cost placements in Supported Living, each costing over £2,000 per week, resulting in a pressure of £0.263m.
- The overall pressure is being mitigated by slippage of £0.240m resulting from vacancy control.

4.2 The department is working closely with Children's Services to change the way joint assessments of young people from age 14 onwards are carried out, to ensure a smooth transition into preparing for adulthood.

- 4.3 Although fee rates for care providers have been set for 2024/25, there are financial risks in relation to out-of-borough and bespoke packages of care for complex individuals, which can be significantly more expensive than standard-rate packages of care.

(v) **Public Health**

Public Health	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) =(d)-(c)	Variance P1 2024/25 £000
People's Services Directorate						
Sexual Health	1,948	0	1,948	1,948	0	0
Primary Care	96	0	96	102	+6	0
Public Health Advice	631	0	631	631	0	0
Obesity	1,035	0	1,035	1,124	+89	0
Physical Activity	641	0	641	684	+43	0
Substance Misuse	4,403	(1,838)	2,565	2,566	+1	0
Stop Smoking Services and Interventions	617	(207)	410	457	+47	0
Healthy Child Programme	4,357		4,357	4,357	0	0
Miscellaneous Public Health Services	1,109	(104)	1,005	1,047	+42	0
Management & Support Services	2,075	(2,075)	0	100	+100	0
Public Health Grant	0	(12,406)	(12,406)	(12,734)	(328)	0
Total	16,912	(16,630)	282	282	0	0

- 5.1 St Helens' Public Health Grant allocation for 2024/25 is £15.877m, of which £12.406m has been set aside to be spent on commissioning external services.
- 5.2 The grant is fully committed and will be spent during the year. Some Public Health Grant carried forward from 2023/24 is mainly being used to mitigate a slight cost pressure caused by the extension of the Integrated Wellbeing service to June 2025.

(vi) **Business, Culture & Leisure**

Business, Culture and Leisure	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) =(d)-(c)	Variance P1 2024/25 £000
People's Services Directorate						
Adult Community Learning	718	(694)	24	24	0	0
Total People's Services	718	(694)	24	24	0	0
Place Services Directorate						
Arts Development and Support	365	(42)	323	323	0	0
Archiving	536	(347)	189	189	0	0
Sports Development	437	(349)	88	88	0	0
Indoor Sports & Recreation	4,902	(3,512)	1,390	1,390	0	0
Outdoor Sports & Recreation	500	(154)	346	346	0	0
Library Services	2,517	(159)	2,358	2,358	0	0
Tourism and Events	11	0	11	11	0	0
Total Culture and Heritage Services	9,268	(4,563)	4,705	4,705	0	0
Total	9,986	(5,257)	4,729	4,729	0	0

6.1 The portfolio is currently projecting a balanced outturn for the year.

6.2 The Leisure Transformation programme saving of £0.100m is being reported as achieved, though there is still a substantial amount of work being undertaken by both the service and Finance to review budgets.

(vii) Children & Young People

Children & Young People	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) =(d)-(c)	Variance P1 2024/25 £000
People's Services Directorate						
Schools						
Schools Delegated Budget	139,159	(139,159)	0	0	0	0
Schools Total	139,159	(139,159)	0	0	0	0
Non-Schools						
Alternative Provision	3,397	(3,341)	56	56	0	0
Child Protection	15,373	(699)	14,674	16,290	+1,616	+260
Children Looked After	40,528	(9,029)	31,499	35,184	+3,685	+383
Children's Centres and Early Help	3,863	(2,323)	1,540	1,935	+395	0
CWD Services	2,559	(432)	2,127	2,544	+417	0
Family Support Services	2,036	0	2,036	1,646	(390)	0
LA/Corporate Expenditure Attributable to Schools	13,838	(8,334)	5,504	5,504	0	0
Other Education Functions	21,111	(11,178)	9,933	10,377	+444	0
Service Strategy - Education	656	(656)	0	39	+39	0
Service Strategy - Social Care	776	(653)	123	144	+21	0
Youth Justice Services	1,934	(1,261)	673	588	(85)	0
Non-Schools Total	106,071	(37,906)	68,165	74,307	+6,142	+643

7.1 The portfolio is experiencing significant financial challenges in 2024/25 due to both demand pressures within children's social care and the ongoing programme of efficiencies.

7.2 Placement costs associated with caring for children looked after, including care leavers, are forecast to be in the region of £38.048m, resulting in a projected financial pressure of £3.454m. There are a number of national challenges within the system, including a lack of capacity within the external care market, difficulties in recruiting and retaining foster carers, an increasing number of placement breakdowns due to the complex needs of some of the young people in care, a lack of capacity within the wider system (e.g., within Child and Adolescent Mental Health Services) and the impact of care arrangements for Unaccompanied Asylum Seeking Children (UASC).

7.3 The Council has been proactively undertaking a number of actions locally to help mitigate these challenges, which are faced by most local authorities. Nationally, there has been a lack of capacity within the residential care market, which has had an upwards effect on prices as local authorities seek to secure available placements to accommodate their children looked after. Four suitable properties have been identified to purchase which, alongside our existing children's home, will significantly increase internal residential home capacity. In addition, the arrangement of a lease to operate trainer flats under the Staying Close programme will facilitate wider options for those young people who are getting ready to leave care.

- 7.4 The department is also continuing to progress its successful programme to expand in-house foster care capacity. To date, 20 additional foster carers have been approved since 2023/24, with one pending approval, whilst a further five are currently being assessed for suitability.
- 7.5 The cost of maintaining adequate social worker staffing levels to ensure caseloads remain safe and manageable has increased markedly in recent years, in particular, due to the need to engage agency staff. The costs associated with agency staff tend to be higher than those directly employed, and this is the main driver of the forecast budget pressure of £1.759m associated with frontline social care staffing costs.
- 7.6 The challenges associated with the recruitment of suitably skilled and experienced staff are prevalent across the whole sector. The department has been proactive in attempting to address these recruitment and retention challenges through a number of actions, including a review of salary levels of qualified social care staff to ensure a competitive level of remuneration, additional staffing capacity to alleviate social workers of non-statutory functions, programmes to train and develop staff to the level of qualified social worker status, and an ongoing recruitment campaign, including from channels outside of the traditional workforce marketplace.
- 7.7 The Government recognises the benefits of a stable, effective and supportive children's social care workforce and has recently published statutory guidance, effective from 31 October 2024, to help local authorities manage the use of agency workers. The guidance acknowledges the role agency usage can have as an appropriate resourcing option, but sets out several expectations on local authorities, including requirements to:
- Work within their region to agree and implement price caps that all local authorities in the region should comply with
 - Not engage agency workers with less than three years' post-qualification experience
 - Not engage agency workers for a minimum of three months after leaving a substantive post in either the authority itself or any other local authorities within the same region.
- 7.8 There are a number of other budget variances within the portfolio that are projected to deliver a net overspend of £0.929m. These variances encompass a wide range of services, but the position includes a projected pressure of £0.367m from the provision of support to families who have children and young people at risk of needing to be brought into care. This helps the children and young people to continue to remain in the family environment and avoid the need to be brought into more expensive fostering or residential care. These arrangements also include support for a relatively small cohort of young people who have complex and challenging needs. There are also projected pressures of £0.395m in Early Help & Children's Centres and £0.228m in Adoption Services, primarily arising from fees associated with adoptive placements.

(viii) Supporting Neighbourhoods

Supporting Neighbourhoods	Current Expend. Budget 2024/25 £000 (a)	Current Income Budget 2024/25 £000 (b)	Current Net Budget 2024/25 £000 (c)=(a)+(b)	Forecast Outturn 2024/25 £000 (d)	Variance P2 2024/25 £000 (e) =(d)-(c)	Variance P1 2024/25 £000
Place Services Directorate						
Housing Services	10,233	(5,467)	4,766	4,515	(251)	0
Homelessness	1,182	(818)	364	364	0	0
Community Safety	2,919	(717)	2,202	2,192	(10)	0
Environmental Health	1,734	(490)	1,244	1,243	(1)	0
Trading Standards	624	(15)	609	571	(38)	0
Licensing & Land Charges	757	(694)	63	63	0	0
Total	17,449	(8,201)	9,248	8,948	(300)	0

8.1 The portfolio is currently projecting an underspend of £0.300m.

8.2 The main underspend (of £0.251m) relates to a review of the Supported Housing contracts, with the requirement going forward to be determined. The remaining £0.049m underspend is being generated by staff slippage.

Utilisation of Earmarked Reserves during the period

Annex D

This table details the approved decisions to utilise earmarked reserves during the period (a) as well as previously approved uses of earmarked reserves that have now been identified as not being required and returned to reserves (b).				
Portfolio	Reserve	Detail	Further detail included in	Cash Limit Change 2024/25 £000
Finance & Governance (a)	Transformation Reserve	To fund the cost of a new Ward Member Grant Scheme for 2024/25	Cabinet 7 August 2024	+96
People, Performance & IT (a)	Transformation Reserve	To provide Programme Manager resource to support delivery of the Customer Experience Programme for 6 months	CORP001498	+31
Business, Culture & Leisure (a)	Transformation Reserve	To provide resource to support the Leisure Transformation Programme	CORP001519	+35
People, Performance & IT (a)	Transformation Reserve	To create a Communication Officer post within the Communication team with a focus on Regeneration	CORP001543-P	+25
Inclusive Growth & Regeneration (a)	Transformation Reserve	To fund planned expenditure on the Council's Agile Hubs owing to recently implemented changes in working arrangements for Council staff	Section 5.2 to this report (pending Operational Decision)	+235
People, Performance & IT (a)	Transformation Reserve	To fund additional interim capacity within People Management	CORP001449	+32
Subtotal – New Approved Uses of Reserves in the Period				+454
People, Performance & IT (b)	Transformation Reserve	To provide resource to strengthen the Council's approach to community engagement.	CORP001510	(37)
Total				+417

EARMARKED BALANCES 2024/25 to 2026/27

Reserve	Balance at 31 March 2024 £000	Balance at 31 March 2025 £000	Balance at 31 March 2026 £000	Balance at 31 March 2027 £000
Transformation Reserve	4,545	2,542	2,393	2,393
Growth Reserve	4,105	4,082	4,082	4,082
Councillor Improvement Fund	184	-	-	-
Insurance & Contingent Liability Reserve	2,930	2,817	2,817	2,817
Waste Management Development Fund	74	66	66	66
Inflationary Reserve	5,340	5,130	5,130	5,130
Restructuring Reserve	3,707	3,707	3,707	3,707
Funding Reform & Volatility Reserve	4,994	6,148	6,936	6,936
Pension Reserve	10,000	10,000	10,000	10,000
Tax Increment Financing (TIF) Reserve	5,000	5,000	5,000	5,000
Revenue Grants & Contributions Reserve	2,516	-	-	-
Subtotal - General Earmarked Balances	43,395	39,492	40,131	40,131
Covid-19 Reserve - Collection Fund	1,000	-	-	-
TOTAL	44,395	39,492	40,131	40,131

SUMMARY CAPITAL PROGRAMME 2024/25 to 2026/27

Annex F

PORTFOLIO					Funding				
	2024/25	2025/26	2026/27	Total	Borrowing	Tax Increment Finance (Borrowing)	Capital Receipts	Revenue	Grants / Conts.
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children & Young People	6,207	14,564	1,858	22,629	3,396	0	0	37	19,196
Integrated Health & Social Care	350	0	0	350	325	0	0	0	25
Supporting Neighbourhoods	5,390	4,406	3,868	13,664	1,781	0	444	0	11,439
Business, Culture & Leisure	3,715	0	0	3,715	2,618	0	18	100	979
Finance & Governance	626	0	0	626	276	0	350	0	0
People, Performance & ICT	1,243	0	0	1,243	22	0	457	764	0
Transport & Environment	46,546	14,015	9,418	69,979	9,450	0	235	40	60,254
Inclusive Growth & Regeneration	79,997	59,275	35,676	174,948	95,529	1,189	735	192	77,303
Cross Portfolio	2,180	3,333	3,334	8,847	0	0	8,847	0	0
TOTAL	146,254	95,593	54,154	296,001	113,397	1,189	11,086	1,133	169,196

INTERIM TREASURY MANAGEMENT STRATEGY REPORT 2024/25

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) ('the Code') was adopted by Council on 28 February 2018.

The primary requirements of the Code are as follows:

- creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities,
 - creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives,
 - consideration of an Annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, an Interim Review Report and an Annual Report (outturn report) covering activities during the previous year,
 - delegation by the Council of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions, and
 - delegation by the Council for the role of scrutiny of the Treasury Management Strategy and Policies to a specific named body. For this Council, the delegated body is the Audit and Governance Committee.
- 1.2 This interim report has been prepared in compliance with CIPFA's Code, and covers the following:
- an update on Interest Rates and prospects for future Interest Rates,
 - a review of the Treasury Management Strategy Statement and Annual Investment Strategy and an update on the current investment and borrowing portfolios,
 - a review of any debt rescheduling undertaken and any possible opportunities during 2024/25,
 - an update on other issues affecting Treasury Management,
 - an update on the latest Treasury Management Budget position and

- a review of compliance with Treasury Limits and Prudential Indicators for 2024/25 and forward Treasury Limits and Prudential Indicators for future years.

2 Interest Rate Forecasts

2.1 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates.

2.2 The latest forecast on 15 October sets out a view that short, medium and long-dated interest rates will reduce incrementally over the period to September 2026. Link's Bank Rate and PWLB rate forecasts are shown below:

%	Dec 2024	March 2025	June 2025	Sept 2025	Dec 2025	Mar 2026	June 2026	Sept 2026
Bank Rate	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00
5 yr PWLB*	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90
10 yr PWLB*	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00
25 yr PWLB*	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40
50 yr PWLB*	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20

*PWLB rates are net of 0.2% Certainty Rate

2.3 At the time of drafting the initial Treasury Management Strategy, Link Asset Services Link Asset Services had envisaged that the Bank of England would seek to maintain the Bank Rate at 5.25% until the middle of 2024, before falling to 3.75% by the end of the financial year and plateauing at 3.00% by September 2025. Link Asset Services have updated their forecasts and anticipate bank rates fall to 3.25% in September 2025 and plateau until September 2026 when it is estimated rates will fall to 3%.

2.4 The first half of 2024/25 saw:

- Interest rates fall by 0.25% taking Bank Rate from 5.25% to 5.00%
- CPI inflation fall in the first quarter of 2024/25 from 2.3% to 2.0% and despite a small increase in July to 2.2%, CPI inflation fell again in September to 1.7%.
- Core CPI Inflation reduce to 3.2% in September from 3.6% in August.

2.5 In its monetary policy meeting on 31 July 2024, the Bank of England reduced interest rates by 0.25 percentage points, to 5%. There was no change in base rate following the latest meeting in September. This decision was guided by the need to address persistent inflationary pressures and return CPI inflation to the 2% target in a timely manner and on a lasting basis. The next meeting of the Monetary Policy Committee is on 7 November 2024.

- 2.6 Bank Rates are forecast to fall by the end of the financial year; but this has to be supported by a move in CPI Inflation and wage /employment rates. The reduction in the CPI rate of inflation in September is a positive move. However, any evidence of persistent / recurrent inflationary pressures could conceivably force the Bank of England to maintain / raise rates in the future.
- 2.7 In addition, any unexpected movements in the economy could lead to increases or decreases in the bank rate.

3 Treasury Management Strategy and Annual Investment Strategy Update

3.1 Investments

The Treasury Management Strategy Statement for 2024/25 was considered by Cabinet on 28 February 2024 and approved by Council on 6 March 2024. The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as the security of capital and liquidity of investments.

The Council aims to achieve the optimum return (yield) on its investments, commensurate with the proper levels of security and liquidity, and having properly assessed all inherent risks, as detailed in its Treasury Management Practices.

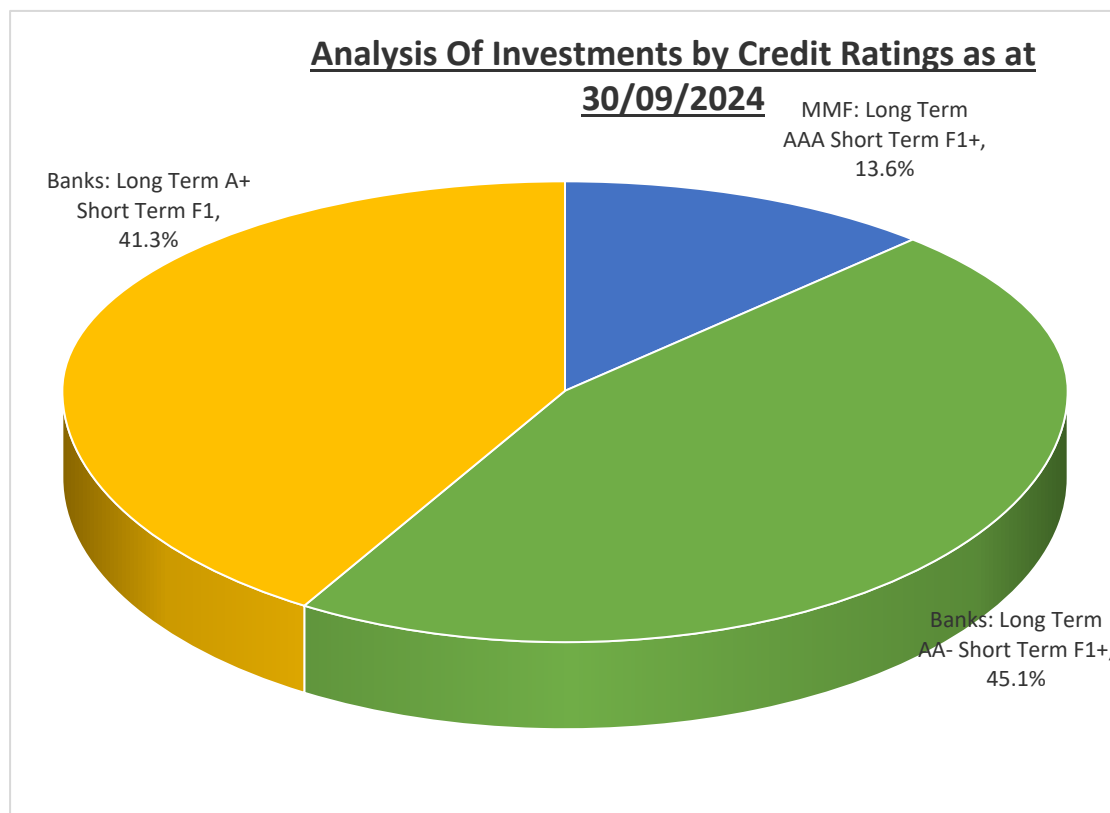
Further detail of the Council's investment portfolio is provided to Cabinet and Council as part of each Financial Monitoring Report. The Council held £133.1m of investments at 30 September 2024 (£107.7m at 31 March 2024) and the following table provides details of the investment returns achieved thus far during 2024/25.

Investment Returns 2024/25 up to 30/09/2024					
2024/25	Returns Achieved			Benchmark Returns	Performance relative to Benchmarks
Month	Fixed Term Investments	Call Accounts	Combined Return	Backward Looking 90 Day SONIA	Overall +/- return
April	5.701%	5.233%	5.500%	5.223%	0.277%
May	5.636%	4.783%	5.311%	5.226%	0.085%
June	5.552%	5.415%	5.509%	5.259%	0.249%
July	5.431%	5.113%	5.310%	5.233%	0.078%
August	5.363%	5.076%	5.258%	5.192%	0.066%
September	5.318%	5.060%	5.232%	5.106%	0.127%

Any sudden changes in rates will impact upon performance against benchmarks as investment decisions need to be made based upon both the desire to maximise interest returns and managing the liquidity of the authority's investments for cashflow purposes, whilst, most importantly,

ensuring the security of investments. Wherever possible, the Council will look to take advantage of favourable rates with a view to locking in investment deals for longer periods, whilst at the same time ensuring liquidity of funds.

The following chart details the split of the Council's investment by type and the credit rating assigned to the different groups of Counterparties.



3.2 Council's Investment Strategy and Counterparty Criteria

The investment strategy approved in the Treasury Management Strategy Statement is currently being adhered to and forming the basis upon which Officers have operated thus far. The counterparty criteria, which forms the practical basis upon which Officers make decisions regarding those institutions with whom the Council will deal, is subject to constant review during the year and, through delegation to the Executive Director of Corporate Services, this can be amended by way of an Operational Decision.

3.2 Borrowing

The Council has an ambitious Capital Programme for the next three years, including the programme of Growth / Regeneration for the Borough. External borrowing will be necessary to fund these plans.

Movements in the financial markets will impact on the rates at which the Council would be able to borrow. As shown in section 2.2, forecast PWLB rates remain on around the 4.7% mark across all time horizons.

Borrowing should be aligned to the profile of the capital programmes and undertaken at the most opportune time required to fund these schemes/plans, whilst minimising interest rate exposure. Current forecasts, provided by Link and shown in section 2.2, are for a steady decrease in PWLB rates across the next two years.

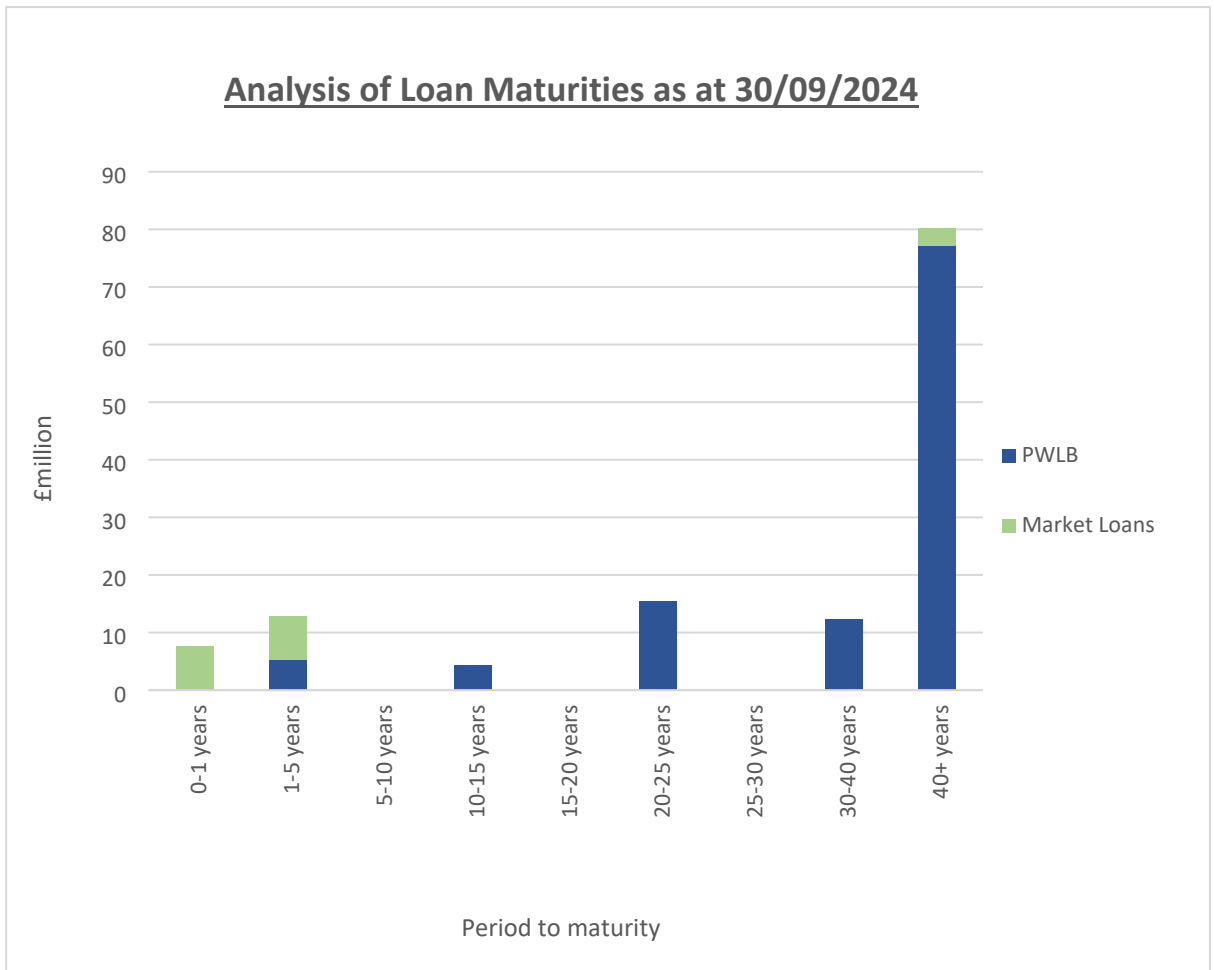
Movements in the financial markets will impact on the rates at which the Council would be able to borrow. As shown in section.2.2, forecast PWLB rates remain around 4.7% mark across all time horizons. This is slightly higher than the borrowing rates of 4.50% assumed at the time of developing the Medium Term Financial Strategy 2024-2027.

Whilst interest rates are high the Council will defer any decisions on undertaking new borrowing until more attractive rates are available, subject to the cash flow, and making sure any future borrowing is within the rates allowed for within the Medium Term Financial Strategy assumptions

The strategy of financing capital expenditure by running down cash balances (i.e. in lieu of new borrowing) was formulated predominantly to minimise credit risks associated with holding investments and to protect the Council's budgetary position against diminishing investment returns. The strategy also allows for borrowing to be undertaken when it is deemed most opportune, based upon current and forecast PWLB interest rates. That rationale still holds good, and, in that context, it is considered that the Borrowing Strategy approved is still fit for purpose.

However, it must be noted that this strategy has led to the Council having an "under-borrowed" position, in that borrowing to fund historic capital spend has been deferred and is likely to be needed to be secured at some stage in the future. The issue of when this borrowing may need to be secured needs to be considered in light of the forecast movements in PWLB borrowing rates.

The Council has outstanding debt of £132.5m. The following chart shows the maturity profile of the loan portfolio as at 30 September 2024.



In accordance with the revised Prudential Code, the maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender does have the right to increase the interest rate payable (as is the case with a Market Loan (LOBO – Lender Option Borrower Option loan)), then this should be treated as a right to require payment. Due to this guidance the maturity dates of the Council’s LOBO loans have been profiled as the next call date for each. This has made the Council’s position look much more short-term when all of these loans have maturity dates of 30+ years. In the current interest climate, the potential exists that these loans could be called at the next review date for each loan. Work is currently being undertaken to identify potential options if this scenario happens.

There are no plans to restructure debt within 2024/25 at this point and should any debt restructuring become a possibility the Council will explore this with the Council’s treasury management advisors.

3.4 Budget Estimates

The budgeted and projected treasury costs for 2024/25 are detailed in the following Table.

Treasury Management Budget 2024/25	2024/25 Original Budget (£m)	Budget Revisions (£m) (to reflect deferred borrowing)	2024/25 Revised Budget (£m)	2024/25 Full Year Forecast (£m)	2024/25 Variance (£m)
	(a)	(b)	(c)	(d)	(e)
Debt Management Costs:					
External interest	10.624	(2.672)	7.952	7.952	-
Revenue provision (repayment of principal)	4.543	-	4.543	4.431	(112)
Investment Interest	(5.558)	2.672	(2.886)	(4.886)	(2.000)
Total Treasury Cost	9.609	-	9.609	7.497	(2.112)

As part of the development of the 2024/25 budget there was an assumption that the Council would incur borrowing to fund the current years capital programme and the historic under borrowing from previous years. This position would create the opportunity to invest additional cash holdings and subsequently increase investment income. To date, no borrowing has been taken out and the adjustment in Column b in the above table reflects the updated position in that the budget for borrowing costs has been reduced with a corresponding adjustment to the external interest received budget .

Investment Interest achieved in the year exceeds the budget as a consequence of higher cash holdings and investments securing higher rates of return than was anticipated at the time of the development of the Medium Term Financial Strategy 2024-2027.

There is a forecast underspend of £0.112m relating to the Minimum Revenue Provision, as a consequence of changes to the profile and financing of the Council's capital programme.

4 Treasury Limits and Prudential Indicators

- 4.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting Regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". The Council's approved Treasury Limits and Prudential Indicators (affordability limits) were outlined in the approved Treasury Management Strategy Statement.
- 4.2 During the financial year to date, the Council has operated within the Treasury Limits and Prudential Indicators approved by and in compliance with the Council's Treasury Management Practices. A copy of the latest Treasury Limits and Prudential Indicators are attached at Appendix 1. Such revisions predominantly arise due to changes in the Council's approved capital programme.
- 4.3 In setting the 2024/25 budget, the Council approved the deferral of capital pipeline schemes and in order to mitigate the impact of the deferral, £10m of capital receipts were set aside to fund schemes over the next three years which meet specific criteria. The £10m allocated for such schemes is not included within the Treasury Limits and Prudential Indicators in Appendix 1 until such time as they are formally approved and included within the Capital Programme. Amended Treasury Limits and Prudential Indicators will need to be approved as part of that process.

5 Annual Revenue Provision Policy

- 5.1 The Council is statutorily required to determine its Policy in relation to the method by which it makes charges to the revenue account in respect of capital expenditure financed by borrowing or credit arrangements.
- 5.2 The current Annual Revenue Provision Policy was approved by Council on 6 March 2024, having been contained within the Treasury Management Strategy 2024/25, which formed part of the Medium-Term Financial Strategy 2024-2027 and Revenue & Capital Budget 2024/25.
- 5.3 Section 5 of that report set out the policy for charging the revenue account with an amount of minimum revenue provision which is deemed to be prudent. Paragraph 5.6 of the report considered the provision policy for Loan Financial Investments and stated that the Council will not make a Revenue Provision charge on the basis that the Loan will be repayable at some stage in the future and any risks regarding no-repayment would be quantified and charged in accordance with IFRS9 Financial Instruments, in the year in which they are identified.
- 5.4 Section 5 and Paragraph 5.8 of the report set out the policy for the treatment of leases following the adoption of IFRS 16 from 1 April 2024. This will remove the distinction between operational and finance leases, resulting in a number of

leases being brought on balance sheet. MRP for these leases will be calculated as equal to the element of the rent that goes to write down the balance sheet liability.

Treasury Limits and Prudential Indicators 2024/25 to 2027/28

Treasury Limits and Prudential Indicators			2024/25 Revised	2025/26 Estimates	2026/27 Estimates	2027/28 Estimates
1(i)	Proposed capital expenditure that the Council plans to commit to during the forthcoming and subsequent two financial years.	Capital Expenditure (£m)	146.254	95.593	54.154	0.700
1(ii)	Additional in-year borrowing requirement for capital expenditure.	In Year Capital Financing Requirement (CFR) (£m)	48.953	30.447	13.754	(10.779)
2	The CFR is an aggregation of historic and cumulative capital expenditure, which has yet been paid for by either revenue or capital resources.	Capital Financing Requirement as at 31 March (£m)	261.946	292.392	304.146	295.367
3	The "net borrowing" position represents the net of the Authority's gross external borrowing and investments sums held.	Net Borrowing Requirement:				
		External Borrowing (£m)	132.496	254.661	268.399	257.606
		Investments Held (£m)	(69.000)	(157.400)	(154.067)	(150.734)
		Net Requirement (£m)	(63.496)	(97.261)	(114.332)	(106.872)

Treasury Limits and Prudential Indicators			2024/25 Revised	2025/26 Estimates	2026/27 Estimates	2027/28 Estimates
4	Identifies the impact and trend of the revenue costs of capital financing decisions will have on the General Fund Budget over time.	Ratio of financing cost to net revenue stream	5.13%	7.04%	13.28%	13.48%
5	The Council's Budget Strategy with regards to unsupported borrowing is such that there is no incremental impact to Council Tax.	Incremental impact of capital investment decisions (increase in Council Tax Band D equivalent)	Nil	Nil	Nil	Nil
6	This represents an absolute limit of borrowing at any one point in time. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.	Authorised Limit for External Debt (£m)	226.101	302.006	315.457	304.128
7	This is the limit beyond which external debt is not normally expected to exceed.	Operational Limit for External Debt (£m)	193.738	292.573	306.021	294.688

<u>Treasury Limits and Prudential Indicators</u>			2024/25 Revised	2025/26 Estimates	2026/27 Estimates	2027/28 Estimates
8	These limits seek to ensure that the authority does not expose itself to an inappropriate level of interest rate risk and has a suitable proportion of debt.	Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%
		Upper Limit for Variable Interest Rate Exposure	50%	50%	50%	50%
9	This limit seeks to ensure liquidity and reduce the likelihood of any inherent or associated risk.	Upper Limit for Sums Invested over 365 Days	60%	60%	60%	60%
10	This indicator is used to highlight where an authority may be borrowing in advance of need	Gross Debt and the CFR (£m)	110.354	19.446	20.170	20.993

Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the Liability Benchmark:

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans Capital Financing Requirement (CFR):** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision (MRP). Due to only approved prudential borrowing being included in the calculation a peak will appear after four years as no further borrowing will be approved at this point.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast. This becomes a negative due to the position the Authority is in as a result of the balance of treasury investments, which are in excess of borrowing; this allows the Authority flexibility in regard to the timing of taking out future borrowing and therefore allows it to make sound treasury management decisions.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

Liability Benchmark

