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To: The Members of the Cabinet

Date: 5 November 2024

Our Ref:

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Dear Councillor

## **CABINET - THURSDAY 7TH NOVEMBER, 2024**

I refer to the agenda for the above meeting and now enclose the following reports which were unavailable when the agenda was published.

<b>Agenda No.</b>	<b>Item</b>
10.	<b>Financial Management 2024/25 to 2027/28 - Revenue and Capital Budget Update 2024/25 – November Update</b> (Pages 125 - 164) Report of the Executive Director – Corporate Services and Commercial
11.	<b>Financial Management 2024/25 to 2027/28 – Medium Term Financial Plan 2025/26 to 2027/28</b> (Pages 165 - 182) Report of the Executive Director – Corporate Services and Commercial

Yours faithfully,

Democratic Services

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## 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

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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:

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	Budget	Forecast Outturn	Variance	Variance to August Forecast
	£m	£m	£m	£m
<b>Services</b>				
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
<b>Total Service Net Expenditure</b>	<b>301.468</b>	<b>311.874</b>	<b>10.406</b>	<b>4.184</b>
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
<b>Total Net Expenditure</b>	<b>258.480</b>	<b>267.753</b>		
<b>Forecast Year-End Deficit</b>			<b><u>9.273</u></b>	<b><u>4.184</u></b>

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

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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

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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



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- 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:

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

### 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. Page 131 will include the repayment of balances by

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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**

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- 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:

<b>2024/25</b>	<b>£80.905m</b>
<b>2025/26</b>	<b>£71.484m</b>
<b>2026/27</b>	<b>£33.467m</b>

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

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- **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:

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

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.

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- 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
<b><u>Services</u></b>			
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
<b><u>Total Programme</u></b>	<b>22.912</b>	<b>23.651</b>	<b>0.739</b>

## **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
<b><u>Services</u></b>					
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
<b><u>Total Programme</u></b>	<b>80.905</b>	<b>81.007</b>	<b>0.101</b>	<b>71.484</b>	<b>33.466</b>

A full list of the capital programme by capital project is available in **appendix A**.

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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

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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

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- 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 m<sup>2</sup>)
- Carriageway Preventative Type Surface Treatment Programmes: Surface Dressing (75,074m<sup>2</sup>)
- Extended Patching (432m<sup>2</sup>)

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 CO<sup>2</sup>



## 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:

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

- 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.

<b>Capital Expenditure</b>			
	2023/24	2024/25	2025/26

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	£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:**

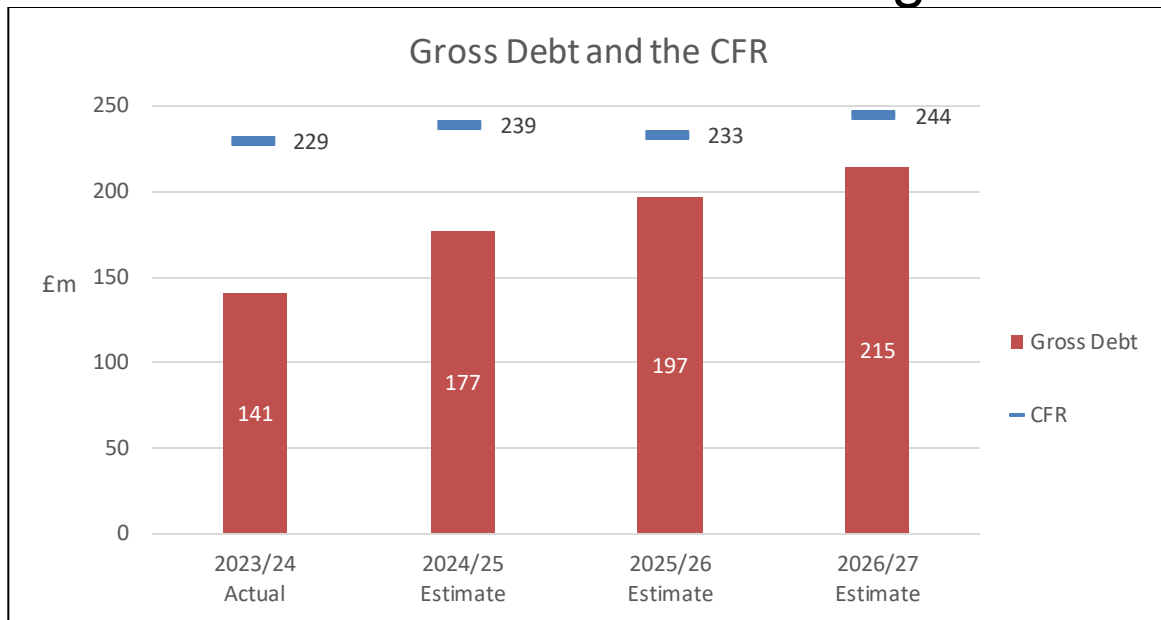
9.5 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (the statutory amounts set aside to repay debt).

<b>Capital Financing Requirement</b>				
	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
<b>Total Debt</b>	<b>157</b>	<b>157</b>	<b>200</b>	<b>175</b>

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.

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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

<b>Equality Implications:</b> There are no equality implications.
<b>Impact on Children and Young People:</b> None
<b>Climate Emergency Implications:</b> The recommendations within this report will have a <b>Neutral</b> 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

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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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Email Address:	Paul.reilly@sefton.gov.uk

## Appendices:

The following appendices are attached to this report:

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

APPENDIX B – Corporate Risk Register – September 2024

## Background Papers:

None

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

<b><u>Capital Scheme</u></b>	<b>Budget</b>		
	<b>2024/25</b> £	<b>2025/26</b> £	<b>2026/27</b> £
<b>Adult Social Care</b>			
Disabled Facilities Grants	3,500,000	-	-
Occupational Therapist Support	636,359		
ICT Development & Transformation	1,006,022	-	-
ICT Connectivity in Care Homes and Support Living	20,000	-	-
Care Home Improvements	529,038	-	-
Integrated Health and Wellbeing on the High Street	100,000	-	-
Short Term Assessment Unit	1,592,068	1,847,000	-
New Directions Programme	515,010	-	-
Technology Enabled Care	330,250	-	-
Programme Support	127,900	-	-
Changing Places	36,071	-	-
Falls Prevention Schemes	100,000	-	-
Digitising Social Care	136,393	-	-
Mobile Clinic	89,000	-	-
Community Equipment	893,000	-	-
<b>Children’s Social Care</b>			
Support for Fostering Placements	50,000	-	-
Special Guardianship Order – Property Purchase Grant	100,000		
Community Equipment	410,000	-	-
Springbrook Works and Vehicle	73,017	-	-
Children's Social Care Transformation	2,000,000	-	-
<b>Communities</b>			
Atkinson Arts Centre – Infrastructure & Windows	169,555	-	-
Local Authority Housing Fund	1,297,000	-	-
Leisure Centres – Essential Works	151,011	-	-
Libraries Projects	124,999	100,807	-
Neighbourhoods Schemes	24,869	-	-
<b>Corporate Resources</b>			
ICT Development & Transformation	688,498	-	-
ICT Data Centre Relocation	400,000	-	-
ICT Equipment Refresh	360,000	90,000	-
Committee Meeting Live Streaming System	147,806	-	-
<b>Economic Growth &amp; Housing</b>			
Cambridge Road Centre Redevelopment	170,983	-	-
Strategic Acquisitions – Ainsdale	155,000	469,303	-
Marine Lake Events Centre	5,651,282	37,866,796	21,280,701
Enterprise Arcade	1,252,977	35,418	-
The Strand – Maintenance & Improvements	120,330	-	-
The Strand – Repurposing Programme	6,097,159	6,666,667	6,666,666
Changing Places Facilities	109,168	-	-
Brownfield Housing Fund	1,032,281	-	-

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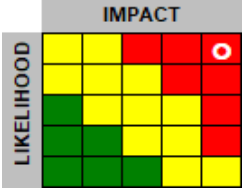
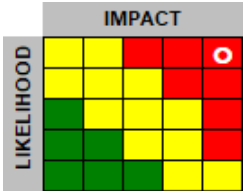
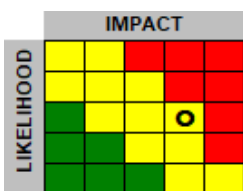
	2024/25 £	2025/26 £	2026/27 £
Council Housing Early Acquisitions Scheme	-	750,000	-
Council Housing at Buckley Hill Lane	2,080,462	1,150	-
Southport Pier	2,706,736	86,580	-
Town Centre Vacant Sites	54,016	-	-
Red Rose Park Works	40,000	-	-
<b>Education Excellence</b>			
Early Years	534,202	-	-
General Planned Maintenance	397,262	-	-
Schools Programme	4,020,557	6,406,275	-
Sporting Betterment of Schools	654,045	667,343	-
Special Educational Needs & Disabilities	2,987,132	602,001	-
<b>Highways and Public Protection</b>			
Accessibility	551,287	-	-
Healthy Lifestyles	190,141	-	-
Road Safety	74,956	-	-
A565 Route Management and Parking	214,035	-	-
A565 Northern Key Corridor Improvements	96,369	-	-
A59 Route Management Strategy	1,554,637	4,294,165	-
Strategic Planning	4,866,311	2,662,200	-
Traffic Management & Parking	36,560	-	-
School Streets Schemes	96,510	-	-
Highway Maintenance	4,519,560	-	-
Bridges & Structures	2,060,143	-	-
Drainage	115,930	-	-
Street Lighting	23,394	-	-
Street Lighting LED Upgrade	3,809,462	-	-
Urban Traffic Control	1,070,204	250,000	-
Highways Capitalisation	1,616,000	1,616,000	1,616,000
Transport Growth Programme	-	789,813	-
Completing Schemes	13,491	-	-
<b>Operational In-House Services</b>			
Coastal Erosion and Flood Risk Management	1,830,388	1,324,813	1,420,273
Countryside Stewardship	1,740	-	-
Parks Schemes	309,598	702,062	-
Tree Planting Programme	574,072	94,879	94,879
Golf Driving Range Developments	2,197	280,280	-
Ainsdale Coastal Gateway	543,739	-	-
Green Sefton – Vehicles, Plant & Machinery	1,670,000	326,237	-
Refuse Collection & Recycling	2,989,182	-	-
Vehicle Replacement Programme	604,610	1,054,494	-
<b>Property and Building Services</b>			
Acquisition of Magdalen House	4,775,400	-	-
Council Wide Essential Maintenance	524,070	-	-
Council Wide Essential Maintenance Phase 2	2,500,000	2,500,000	2,387,372
<b>Total Programme</b>	<b>80,905,444</b>	<b>71,484,283</b>	<b>33,465,891</b>





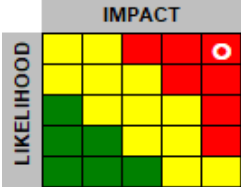
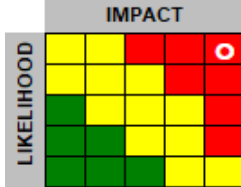
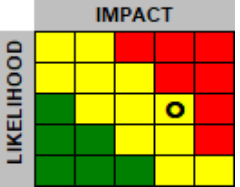
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**Appendix B - Corporate Risk Register September 2024**

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Dedicated Schools Grant High Needs Funding for Special Educational Needs is inadequate to meet requirements.</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues.</li> <li>• National funding allocations are not increasing annually at a rate to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope.</li> <li>• The number and value of requests from mainstream schools for "top-up" funding (for children with SEND) continues to increase year on year as schools face financial pressures to meet the first £6k of any SEN Support.</li> <li>• Maintained special school provision is full and more children are being placed in independent provision which is more expensive. Whilst this issue is being addressed through extra In-house provision, there remain risks that external placements may continue at high additional cost.</li> <li>• Central Government have advocated parental preference for SEND provision - which has added to the number of children being placed in independent provision - with no additional funding.</li> <li>• The current accounting override whereby the HNF deficit is ringfenced will continue until April 2026 but the increasing accumulative deficit poses a significant financial risk to the council.</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Sefton's High Needs cumulative budget deficit is £35m at the end of 23/24.</li> <li>• The estimated deficit on the high needs block continues to be held on the Council's Balance Sheet. Whilst the current DfE regulations do not expect the Local Authority's General Fund to cover accumulated deficits, this is still only on a temporary basis until 2026. The council does not have the reserves or balances to meet this deficit if required in 2026 hence the threat to financial sustainability.</li> <li>• This is a significant risk to the council and quarterly monitoring statements will continue to be reported to cabinet and council.</li> </ul>		
<p><b>Current treatment and controls</b></p>	<ul style="list-style-type: none"> <li>• Reporting to Cabinet and Council should focus on the work program that seeks to improve the support to children, the demand for the service and the financial forecast- it should also take full account of the progress in the DFEE led Delivering Better Value Programme.</li> <li>• Leadership from Sefton's Executive Director of Children's Social Care and Education, Assistant Head of Education and the SEN team Managers on how costs can be contained.</li> <li>• Sufficiency statement produced that will drive future strategy and financial sustainability.</li> <li>• Lobbying and engagement of both DfE and MCCLG on financial impact and the need for increased support or confirmation that this will continue to be a DSG issue post 2026</li> <li>• Engagement with special schools actively working with individual schools to review impact of any proposed changes to their funding, reviewing three-year financial plans, identifying any strategic savings to mitigate high calls on DSG High Needs funding.</li> <li>• Review of place and top up levels of funding.</li> </ul>		

	<ul style="list-style-type: none"> <li>• In addition, further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people.</li> <li>• Council now part of DfE Delivering Better Value Program-it should be noted however that this is focused on the system and not on delivering financial sustainability therefore the council cannot rely on this programme to meet its key financial objective</li> <li>• Comprehensive quarterly reports to be presented to Cabinet and Council on sufficiency, in house provision, funding and deficit to provide rigor, transparency and inform decision making</li> <li>• As part of the councils transformation programme SEND is a specific transformation project and reflects the 3 key areas of activity each of which will support the service</li> <li>• As part of the annual audit plan a review of the systems and processes within this function has been undertaken to ensure that the overall environment is robust, supports effective decision making and the use of resources- this report will be issued in Q2 of 24/25.</li> </ul>
<p><b>Risk owner</b></p>	<p>Assistant Director of Education</p>
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"> <li>• Through the High Needs Review the LA has been working on two specific workstreams with School representatives working on a number of key areas:</li> <li>• Developing a new funding model to support children with EHCPs.</li> <li>• Clarifying high needs funding outside of the EHCP process.</li> <li>• Reviewing provision and placement sufficiency.</li> <li>• Considering new ways of working with SEN children in schools, making them more cost effective and with good outcomes.</li> <li>• Review of the graduated response and supporting SEN leadership in schools.</li> <li>• Sefton has been working in partnership with the DfE since December 2022 to develop solutions to bring the High Needs Budget into a more financially secure position going forward and help to reduce the accumulated deficit over a set period.</li> <li>• The sign off of the High Needs Deficit action plan through the Delivering Better Value Programme was conducted in summer 2023 with a work programme of planned improvements and changes in SEN support for HN children commencing from September 2023.</li> </ul>

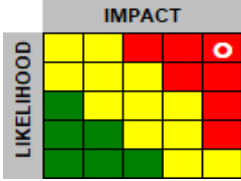
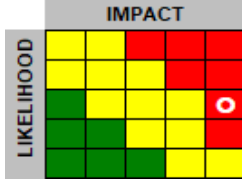
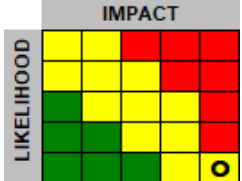
**Appendix B - Corporate Risk Register September 2024**

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2023/24.			
<b>Causes</b>	<ul style="list-style-type: none"> <li>The national economy, taking into account inflation and direct government funding which has been reflected in the financial settlement for 2024/25 and planning assumptions for future years and the demand for services will place substantial strain on the Council's overall medium-term budget.</li> <li>As a result, significant budget and cost reductions will be required. Due to the scale of budget reductions made since 2010 there is a risk that further suitable cost-saving / income generating measures will be difficult to identify.</li> <li>The impact on the financial sustainability of the Council is therefore a key risk.</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>The Council will need to identify substantial sustainable savings to meet the funding gap that arises from inflation, potential government grant reductions and increased demand for services.</li> <li>The Budget reductions could have an adverse impact on residents and communities.</li> <li>The reputation of the Council may be compromised.</li> <li>Financial sustainability could be compromised.</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>The Council set a budget for 2024/25 at its meeting on 29 February 2024. Substantial investment has been made into ASC, CSC and Home to School Transport as part of this and this is where the financial risk exists- robust financial management and monitoring will be required for the delivery of the budget within this approved budget. If there are any variations to the approved budget remedial plans will need to be put in place. The Council does have an appropriate level of general fund reserves however these do not offer the scope to address a budget gap similar to that experienced in 22/23 or 23/24, indeed there is no scope to support an overspend from reserves at all.</li> <li>Within that budget report the key issues that need to be addressed within the next MTFP have been identified and work has started on the next 3-year budget plan. This includes refining all budget assumptions and updating the potential budget gap for these next 3 years- this will be reported in a revised MTFP that will be submitted to Cabinet and Council in September- the council has a new transformation programme that has been established and this is the delivery vehicle for the MTFP with the stated aim of helping delivering financial sustainability. This is key to the financial sustainability of the Council with the key risks remaining in Adult Social Care and Children's Services- these have been mitigated for in 24/25 by all budget assumptions having been agreed with the DASS and DCS but that risk remains.</li> </ul>		
<b>Risk owner</b>	ED CS & C		

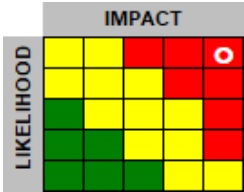
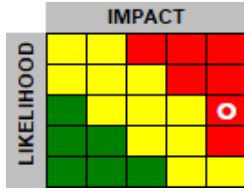
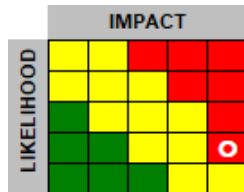
## Appendix B - Corporate Risk Register September 2024

<b>Proposed actions</b>	<ul style="list-style-type: none"><li>• Key financial risk for 2024/25 is delivery of savings within Adult Social Care and Children's Social Care delivering services within the budget agreed with DCS - regular and rigorous financial management, monitoring and reporting is required by SLB.</li><li>• SLB will commence work on the 3-year budget plan for 2025/26 to 2027/28 and an updated MTFP will be presented to Cabinet in September 2024.</li></ul>
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Appendix B - Corporate Risk Register September 2024

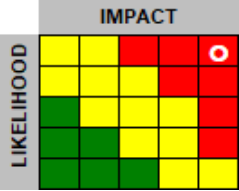
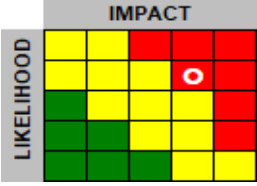
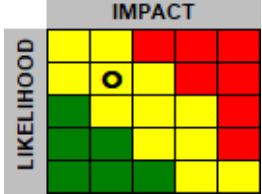
Risk Description	Previous risk score	Current risk score	Target risk score
The Council is the victim of a cyber-attack.			
<b>Causes</b>	<ul style="list-style-type: none"> <li>Malware, ransomware, or another virus infects the Council's systems.</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>Services will not have access to systems and data as standard and will have to fall back on non-ICT delivery methods, albeit without access to key data.</li> <li>Data breach occurs.</li> <li>Financial impact of ransom.</li> <li>Reputational damage</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>Cyberattack prevention measures are in place, including:                             <ul style="list-style-type: none"> <li>Upgraded Council firewalls and active SIEM monitoring service.</li> <li>Anti malware tools</li> <li>Acceptable use policy updated annually</li> <li>LGA Stocktake completed/Cyber 360 completed</li> <li>PSN Accreditation achieved and reviewed annually</li> <li>New security standards for email encryption implemented</li> <li>Further network security in place to reduce risk</li> </ul> </li> <li>Back-up disaster recovery facility is in place at a separate site, for both cloud based and on premises systems.</li> <li>Agilisys has a Business Continuity-Disaster Recovery plan in place which covers an action plan for this priority restoration, and the subsequent restoration of all other systems.</li> <li>Ongoing monitoring in in place via ICT governance arrangements.</li> <li>Anti-virus and Malware software is constantly updated across the estate.</li> <li>Communication to employees regarding the rise in cyber-attacks is in place, with an enhanced training offer in place.</li> <li>Review of Cyber Incident planning completed and revised policy released.</li> <li>Removal of unsupported systems from the network and segregation in place as required.</li> </ul>		
<b>Risk owner</b>	ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>The ongoing ICT Transformation programme has seen the majority of systems and data migrated to Microsoft Azure cloud hosting, which will reduce the overall risk; and improve Business continuity however further work is underway to improve the current security posture further.</li> <li>Ongoing Cyber Security Improvement plan in place.</li> <li>External validation and assurance ongoing linked to improvement plan.</li> </ul>		

Appendix B - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004.</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>A major incident occurs affecting the Council or the Borough</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>Loss of human life, illness, or serious injury</li> <li>Major damage or destruction to infrastructure, property and/or the environment</li> <li>Disruption or loss of critical services such as transport, communications, utility services</li> <li>Reputational or financial harm to the authority</li> </ul>		
<p><b>Current treatment and controls</b></p>	<ul style="list-style-type: none"> <li>Emergency Response Manual and Major Incident Guidance in place.</li> <li>Revised Command and Control structure in place which defines Strategic and Tactical level officers.</li> <li>Emergency Duty Co-ordinators (EDCs) are able to access Resilience Direct containing incident response plans.</li> <li>Relevant training provided to Emergency Duty Co-ordinators and volunteers on an ongoing basis.</li> <li>Five EDCs have now completed Multi Agency Gold Incident Commander (MAGIC) accredited training.</li> <li>Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside.</li> <li>Humanitarian volunteers in place and regular meetings and training now offered.</li> <li>Continuous development and review of supporting plans.</li> <li>Service Level Business Continuity plans now completed. Business Continuity eLearning package available to all staff</li> <li>Business Continuity risk register completed and review on quarterly basis</li> <li>Business Continuity Policy and strategy have been devised and approved.</li> <li>BC exercises completed in January 2023 and March 2024 for Senior Leadership Board</li> <li>Corporate BC plan drafted and endorsed by ELT in January 2024</li> </ul>		
<p><b>Risk owner</b></p>	<p>CEX/ED CS&amp;C</p>		
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"> <li>A Business Continuity Management System has been devised and is currently being implemented. This includes the following:                             <ul style="list-style-type: none"> <li>Six monthly review of BC plans and activation exercise undertaken to confirm accuracy of contact details included.</li> <li>External provider to continually provide support in hosting regular BC exercises for all Exec/Assistant Directors.</li> <li>Review and update of BC manual ongoing</li> </ul> </li> </ul>		


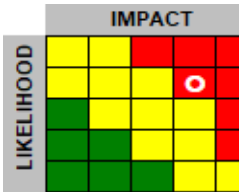
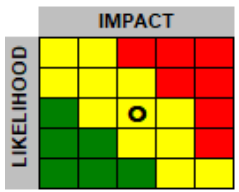


Appendix B - Corporate Risk Register September 2024

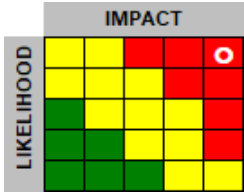
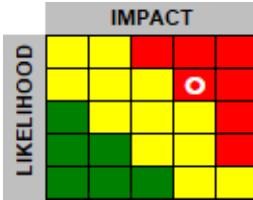
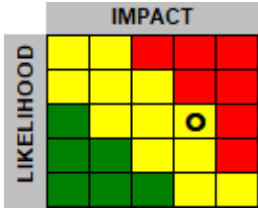
Risk Description	Previous risk score	Current risk score	Target risk score
Market Failure of Social Care Provision across Adults and Children's			
<b>Causes</b>	<ul style="list-style-type: none"> <li>• <b>Workforce</b> - Capability and capacity of the available workforce to provide domiciliary care and within the care home market</li> <li>• <b>Strategic</b> - Lack of diversity of supply in the market to provide choice and control. COVID legacy effect on Market.</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• <b>Legal</b> - Inability to provide packages of care for service users and fulfil statutory duty of care and sufficiency duty.</li> <li>• <b>Strategic</b> - Lack of alternative providers able to support social care. Increase in placing young people within Borough, by other LAs placing additional pressure on ASC markets linked to transitions</li> <li>• <b>Operational and Financial</b> - Poor quality service provision and high costs. Significant increase in unmet needs of service users due to a fragile market that is not developing Strategy</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>• <b>Strategic</b> - Market Position Statement and refresh of Children's Sufficiency strategy 22-25 allows market management. Strengthen governance via actions and oversight of Executive Commissioning Group/Strategic Commissioning Group. Strategic Commissioning Team more permanent capacity to increase resource. Implementation of Commissioning priorities improvement plan. Delivery of Health and Wellbeing Strategy 2020-2025. Implementation of robust and timely Winter Planning/checklist. Regular review of supply chain contracts. Demand Management Programme embedded in adults and children's. Mitigation of market failure by block purchasing arrangements to support hospital discharge. CQC Assurance preparation. Provider Failure Policy updated, regular Cost of Care exercises and Market Engagement Strategies in production to focus on relationship-based market management.</li> <li>• <b>Operational</b> - Recommissioning of Local Dynamic Purchasing system for Domiciliary Care. Weekly escalation/ visibility of capacity and costs with AD, DASS and wider system. Maximising learning opportunities across C&amp;M DASS group with key areas of focus</li> </ul>		
<b>Risk owner</b>	DCS/DASCH		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• <b>Operational</b> - Strengthened oversight of Quality Assurance (QA) with dedicated Senior Manager support will add the ability to refocus QA resources on identified areas of Market Risk.</li> <li>• <b>Strategic</b> - Continue to focus on strategic plans to current contracts to ensure Value for Money and objectives are met. Gather intelligence to inform risks and ensure resilience and capacity. Development of new opportunities through Sefton Place Based Partnership development. Children's High Risk/High-Cost Project, Commissioning priorities and full work plan. Recruitment campaign developed with Market with ongoing input from Sefton at Work - Workforce Strategy now developed, and subsequent Market Sustainability Plan roll out 2023/24. Work includes use of International Recruitment funding to be allocated to Providers. Links maintained with LCR on key market risks (capacity, workforce,</li> </ul>		

	<p>cost of living, ceasing of covid funding, demand). New Procurement for Domiciliary Care completed. Integrated commission arrangements will develop via new place arrangement. Market Sustainability Plan and Fair Cost of Care Exercise to be sent to Central Government mid Oct. National Government Market Sustainability funding applied to Dom Care and Care Homes 65+. Discharge funding now recurrent through the Better Care Fund. Work continues to mobilise a rapid reablement expansion. Linked to ND review. Work jointly with Health to develop approach to reduction of one-to-one requests. Cost of Care / fee setting work for 2024/25 is commencing, including Care Analytics being commissioned to support with 2024/25 fee setting work, including analysis of impacts of implementing RLW across all ASC sectors. SOP for fee setting in place. Presentation to A&amp;CG by DASS on risk 20 March 2024.</p>
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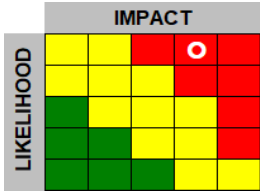
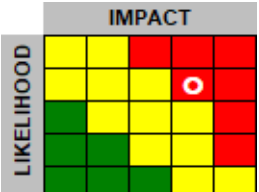
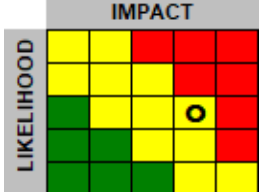
**Appendix B - Corporate Risk Register September 2024**

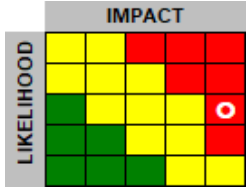
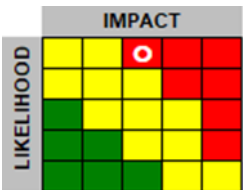
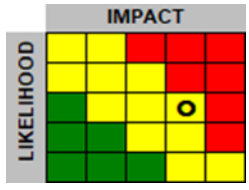
Risk Description	Previous risk score	Current risk score	Target risk score
Demand and Cost of Home to School Transport, impact on the financial sustainability of the Council			
<b>Causes</b>	<p>Increasing expenditure is being driven by:</p> <ul style="list-style-type: none"> <li>• Rising number of children and young people with an Education Health and Care Plan</li> <li>• Rising number of children and young people whose needs are not met in local mainstream provision and placed in educational provision outside the local area</li> <li>• The rising cost of fuel and living</li> <li>• Driver and escort shortages, competing for spare resources.</li> <li>• Parental choice</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Supply unable to match demand.</li> <li>• Increased waiting times for service users, impact on school attendance</li> <li>• Financial and reputational risks, financial sustainability of Council could be compromised, Budget pressure cannot be contained.</li> <li>• Capacity of the workforce to meet this demand.</li> <li>• Potential for poor service delivery</li> <li>• Negative socio-economic impact.</li> <li>• High level of media and public interest in the Council's actions</li> <li>• Loss of reputation</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>• Report to Leadership Team and Cabinet</li> <li>• Engagement with SEND on how demand can be contained</li> <li>• Review of In-House Fleet and Post 16 charging policy</li> <li>• Monthly finance report</li> <li>• Ongoing review of all provision</li> <li>• Personal Travel Budgets</li> </ul>		
<b>Risk owner</b>	Assistant Director of Education		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Comprehensive review of the system has commenced in reviewing all commercial arrangements, key cost drivers and all decisions that impact cost. This is due to be completed in the next 6 months.</li> </ul>		

Appendix B - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Children's Services - Impact of Regulatory Framework Outcomes			
<b>Causes</b>	<ul style="list-style-type: none"> <li>The Council's children's services are currently rated as inadequate. As a result the council is currently delivering its improvement with the support of a commissioner and DfE advisor.</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>Social work practice does not meet the standard required</li> <li>Services are found to not adequately safeguard children</li> <li>Reputational damage to the Council and Statutory partners</li> <li>Loss of confidence in partnership arrangements</li> <li>Workforce and financial pressures develop</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>Improvement board established under DfE improvement notice</li> <li>DfE Advisor supporting Improvement Programme</li> <li>Regular reports to Overview &amp; Scrutiny Committee</li> <li>Self-evaluation has been refreshed and updated</li> <li>Comprehensive Performance dashboard developed based on required specification</li> <li>Quality Assurance Framework in place</li> <li>Practice Standards in place</li> <li>Triangulation of evidence through audit and peer review, regular auditing and monitoring of performance</li> <li>Workforce strategy in place and delivering skilled and stable workforce</li> <li>Financial plan in place based on DCS requirement</li> <li>Accommodation in place for consolidated service</li> </ul>		
<b>Risk owner</b>	DCS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Role of Improvement Board to provide oversight, guidance and support will continue and will meet bimonthly</li> <li>The council will continue to Progress the delivery of recommendations made by Children's Commissioner and the improvement plan</li> <li>Report progress and risks to Overview &amp; Scrutiny Committee each cycle, in addition to improvement Board</li> </ul>		

Appendix B - Corporate Risk Register September 2024

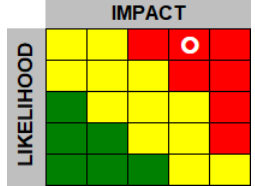
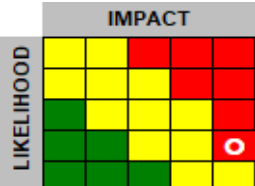
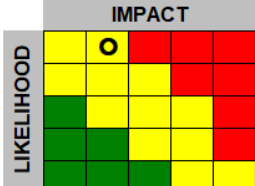
Risk Description	Previous risk score	Current risk score	Target risk score
Increase in academisation of schools within the borough			
<b>Causes</b>	<ul style="list-style-type: none"> <li>• National Agenda</li> <li>• DfE sponsored academies for schools in a category.</li> <li>• Instability within LA</li> <li>• Liverpool Diocese supporting academisation</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Potential loss of SLA income which would may require service reductions in Education, corporate services and operational in-house services</li> <li>• Potential loss LA ability to monitor educational standards</li> <li>• Impact of timescales between notification of academy order and timing of Cabinet meetings</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>• EE team continue to review offer</li> <li>• Engaging with academies to encourage purchase of SLAs</li> <li>• Promote "Sefton Family of Schools" image- working party established to support schools with decision making and to ensure compliance with academies act</li> <li>• Review of traded services offer to all schools and academies</li> <li>• Representation by Academy CEOs on School Improvement Board</li> <li>• Presentation of this risk to A&amp;G Committee for awareness raising</li> </ul>		
<b>Risk owner</b>	Exec Director CSC & EE		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Many of the decisions on academisation are out of council control</li> <li>• Individual service areas continue to make attractive and robust SLA offers</li> <li>• New AD to reconvene regular CEO meetings</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to Comply with Sections 1 and 10 of the Freedom of Information Act 2000</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• A person requesting information from a public authority has a right, subject to exemptions, to be informed by the public authority in writing whether it holds the information, and to have that communicated to him, if the public authority holds it (section 1 of The Freedom of Information Act 2000). Section 10(1) specifies that public authorities must respond to requests within 20 working days.</li> <li>• A public authority which fails to comply with any of the requirements of Part I of the FOIA, may be served with a notice by the Information Commissioner (referred to as an ‘enforcement notice’) requiring the authority ‘to take within such time as may be specified in the notice, such steps as may be so specified for complying with those requirements’ (section 52(1)).</li> <li>• Compliance performance levels differ across the Council, due to the demands on particular service areas. Consistency is required in terms of prioritising responses to FOIA requests so that the Council ensures it responds to requests in a timely way.</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Failure to comply with legal requirements; enforcement action by the Information Commissioner’s Office, damage to Council’s reputation; loss of public confidence, diversion of resource and financial consequences</li> </ul>		
<p><b>Current treatment and controls</b></p>	<ul style="list-style-type: none"> <li>• Information management and governance, including compliance with the Freedom of Information Act is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of officers with lead responsibilities for key aspects of information compliance (i.e. Data Protection Officer/IG Lead, Senior Information Risk Owner and Chief Legal and Democratic Officer) supported by other officers with key roles relating to IMG.</li> <li>• Each service is responsible for the handling and management of FOIA requests made to their respective service area.</li> <li>• Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, processes and issues are communicated to these officers through the Information Management and Governance Operational Group.</li> <li>• Support, co-ordination, advice and guidance is provided corporately.</li> <li>• The Council has implemented policies, procedures and processes to assist the management of FOIA requests made to the Council.</li> </ul>		
<p><b>Risk owner</b></p>	<p>CEX</p>		

## Appendix B - Corporate Risk Register September 2024

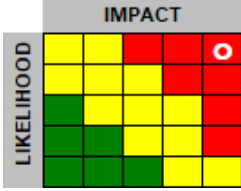
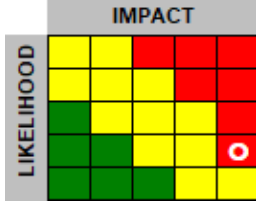
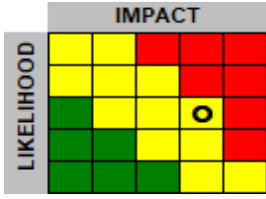
<b>Proposed actions</b>	<ul style="list-style-type: none"><li>• SLB to continue to ensure appropriate resourcing, prioritisation and focus on information management and governance across the Council include the following:</li><li>• Monthly reports continue to be sent to Heads of Service with lists of any outstanding FOIA requests, to ensure appropriate action across their service.</li><li>• Monthly monitoring and review by IMG EG of compliance with statutory timescales associated with requests and numbers outstanding.</li><li>• Set targets to ensure compliance with ICO recommendations (95% or more of requests are responded to within 20 working days = good, 90 to 95% of requests are responded to within 20 working days = adequate, fewer than 90% = unsatisfactory).</li><li>• Regular reporting by IMG EG to SLB and Audit and Governance Committee, as necessary, as to the Council's compliance with the FOIA. Compliance statistics to be published on a monthly basis on the Council's website. Q1 statistics will be available at the end of June 2024.</li><li>• Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance.</li></ul>
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Appendix B - Corporate Risk Register September 2024

Risk Description	Previous risk score	Current risk score	Target risk score
Ability of the Council to recruit to its workforce in order to deliver its Core Purpose			
<b>Causes</b>	<ul style="list-style-type: none"> <li>Due to the contraction of the labour market both nationally and locally the council cannot recruit sufficiently skilled staff in order to meet business need. At present this is especially acute within social work teams in both Adults and Children Services.</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>The Council does not have the capacity to deliver the services it needs to at the pace or standard required</li> <li>Due to the contraction in the market the council cannot recruit to key roles - over the past 12 months this has been evident in Social Care, Regeneration, Procurement, Performance, Property and Finance</li> <li>Such a scenario places increased pressure on the workforce that cannot be maintained over the long term</li> <li>In addition to the lack of candidates in the market seeking permanent employment and a reduction in availability of temporary or agency staff, the cost of bringing in temporary cover is increasing exponentially this creating budget pressure</li> </ul>		
<b>Current treatment and controls</b>	<ul style="list-style-type: none"> <li>The Council's approach to recruitment and retention has been and will continually be the subject of review. This is a key theme within the recently approved workforce strategy and action plan</li> <li>The Council is building on the success in some areas will seek to 'grow its own' workforce with the promotion of apprenticeships, the social worker academy and graduate programmes</li> <li>The Council will seek to continually enhance its culture in order that staff remain in Sefton</li> <li>The Council will work with Liverpool City Region Partners to recruit talent nationally and look at training and development programmes across the region that will be attractive to potential candidates</li> </ul>		
<b>Risk Owner</b>	ED CS&C		
<b>Proposed Actions</b>	<ul style="list-style-type: none"> <li>The action plan for the workforce strategy details the key activities that will be undertaken to maximise the councils position in the workforce market</li> <li>Extensive work has been undertaken within Children services over the last 18 months to ensure that a skilled and stable workforce can be recruited to and retained. This includes a full review of pay and benefits the development of the social worker academy and the recruitment of overseas social workers. this work will continue to support the service and similar activities and innovation will take place across the council</li> <li>Work has commenced with Liverpool John Moore's University to determine how pathways can be opened for graduates to join the council both on interim placements and full-time employment</li> </ul>		



**Appendix B - Corporate Risk Register September 2024**

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inability to deliver the requirements and commitments for the Growth Programme and its associated Projects.</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• Required Capital and Revenue funding not available to deliver the projects for Economic Recovery and Growth. This can be due to unavailability or timing of funds available.</li> <li>• External pressures affecting the construction sector, leading to challenges to project deliverability, affordability or timescales. This includes inflationary cost pressures; insufficient market capacity, contractor availability and contractor capacity; insufficient availability of materials and/or labour; delayed lead-in times for materials or services; rising prices for services, materials and equipment.</li> <li>• Insufficient internal staffing resource, hindering effective and timely delivery.</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Increased business failure</li> <li>• Reputational Damage especially on projects declared already in the public domain.</li> <li>• Increased unemployment</li> <li>• Financial and reputational risks to the Council</li> <li>• Impact on communities.</li> <li>• Loss of reputation</li> <li>• Impact of wider economic change on residents, particularly the most vulnerable</li> </ul>		
<p><b>Current treatment and controls</b></p>	<ul style="list-style-type: none"> <li>• Growth Programme and associated Governance and project controls.</li> <li>• Bid process and expertise applied to all existing and new funding opportunities.</li> <li>• Members approval and prioritisation of existing and new projects.</li> <li>• Constant and consistent evaluation and use of Growth Budget.</li> <li>• Opportunities in respect to Capital receipts from asset disposal.</li> </ul>		
<p><b>Risk owner</b></p>	<p>ED Regeneration, Economy &amp; Assets</p>		
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"> <li>• # Note - Immediate review of the Government White Paper on Levelling Up to ensure timely advantage taken of any funding opportunity.</li> <li>• Actively pursue all additional funding available in timely and at the earliest opportunity.</li> <li>• Create and make available Bid Team focused on and challenged with successful bids.</li> <li>• Establish Project Review forums and reporting mechanisms for early visibility of reporting of project progress and any emerging issues - on a project-specific and programme-wide basis.</li> <li>• Proactive external engagement with construction sector and key partners (e.g. LCR CA) to ensure visibility and understanding of risks to the sector and potential mitigants.</li> <li>• Develop and implement procurement strategy to ensure sustained competition, robustness of process and suitable partners for project delivery - Currently being actioned.</li> <li>• Further refine and strengthen capital project planning, delivery and governance measures</li> </ul>		

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## Cabinet / Council Report

### Financial Management 2024/25 to 2027/28 – Medium Term Financial Plan 2025/26 to 2027/28

Date of meeting:	7 November 2024 14 November 2024
Report to:	Cabinet Council
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** and **Council** of: -

1. The update to the Medium-Term Financial Plan (MTFP) for 2025/26 to 2027/28 taking account of all currently available information.
2. To provide an update on other areas that informs financial decision making including the Council's reserves position, its growth programme, its position on its wholly owned council companies and the High Needs budget as these are all interlinked with the MTFP.

#### Recommendation(s):

**Cabinet** is recommended to: -

- 1) Note the updated Medium-Term Financial Plan for 2025/26 to 2027/28 and any assumptions made.

**Council** is recommended to: -

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- 2) Approve the updated Medium-Term Financial Plan for 2025/26 to 2027/28 and any assumptions made.

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

In February 2024 Council approved a one-year budget plan for 2024/25. As part of this report, an indicative budget gap of £19.2m for 2025/26 to 2026/27 was reported, before any decisions on the level of Council Tax. The MTFP for this period has subsequently been updated to reflect the latest information available and to reflect the ongoing service pressures the Council is facing. The MTFP period has also been extended by a further year to 2027/28. In approving the recommendation laid out in this report, the Council will continue to ensure resources are well managed and reflect the key priorities of the residents of Sefton.

## 1. **Introduction**

- 1.1 The Medium-Term Financial Plan (MTFP) is presented to Members each year with a view to outlining the strategic approach that the Council will take to managing its financial matters. As with previous years, this plan will need to take account of the significant change that is being experienced within Local Government both in terms of the manner and level of funding that is made available to councils and also the roles and responsibilities that it is required to fulfil.
- 1.2 As such this report sets out the specific financial challenges facing the Council over the next three years and how it plans to meet these. The approach to setting the Council's three-year revenue budget for the period 2025/26 -2027/28 and all other key financial issues that require consideration are also set out in the report.
- 1.3 There has been great uncertainty and change in the last 12 months with regard to the Central government funding that would be made available to local government and the financial parameters that councils should work within. The local government finance settlement for 2024/25 provided no indication of funding that will be made available for 2025/26 and future years. It remains critical however that the Council makes estimates of the position that it could be in and develops a three-year budget package that can be updated as it progresses. The change in Government in July 2024 will inform not only the financial resources available to the Council but will also define its roles, responsibilities and policies that are to be followed.
- 1.4 The Chancellor announced the Autumn Budget on 30<sup>th</sup> October 2024. Although announcements relating to local government funding 2025/26 were made, this was at a national level, so no detail was available. Officers have made an initial assessment of the potential implications for Sefton, and these are included in the MTFP update below. As with previous years the full detail of the Local Government Finance Settlement for 2025/26 is expected at council level just before Christmas 2024, although a Local Government Finance policy statement is expected before the end of November which should provide more details on the measures announced in the Autumn Budget Statement. The Chancellor has previously announced that there will be a three-year Comprehensive Spending Review in late 2025 which will provide indications of local government funding in 2026/27 and beyond.
- 1.5 A MTFP update for future years was included within the Budget report in February 2024 and this report provides Members with the latest information available to support 2025/26 to 2027/28 budget planning.

## 2. **Approach to Budget Planning and Financial Sustainability**

### Financial Management Context

- 2.1 The Council has effective financial management arrangements which has enabled the delivery of significant savings over the last 14 years that has enabled the Council to set robust, deliverable and sustainable budgets while delivering priority services. Financial sustainability has been at the heart of this approach and this needs to continue over this three-year budget cycle.

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- 2.2 In this approach the Council needs to be cognisant that the complexity and range of issues that it will need to address is becoming ever wider. In addition to the normal General Fund budget setting, it is critical that there is a full financial understanding that informs decision making of the Council's reserves position, its growth programme, its position on its wholly owned Council companies and the High Needs budget as these are all interlinked.
- 2.3 In 2024/25 the Council continues to face significant challenges driven by the conditions in the national economy, especially the continued pressure within the demand led budgets of Adult Social Care and Children's Social Care and Home to School Transport. These are being managed at the same time as an agreed savings programme is being delivered in the wider Council. The budget monitoring reports for 2024/25 have considered these in detail, with Children's Social Care and Home to School Transport again being prominent and key pressures during the year. Whilst these maybe common issues across the sector it is critical that Sefton addresses these and when sustainable budgets are agreed and set they are delivered as the previous years' calls on reserves to offset these two areas is no longer an option in the context of the financial sustainability of the Council.
- 2.4 The challenges facing the Council over the coming three years are likely to be equally as significant as those of recent times, with demand for services rising exponentially. At present over 70% of the Council's revenue budget is allocated to Adults and Children's Social Care plus Home to School Transport (with this budget having increased from £8.5m in 2021/22 to £14.5m in 24/25). This means there is less than 30% of the budget for all remaining services. At a time of increased demand led growth it is essential that a three-year budget strategy is developed in order to support not only financial sustainability but also these services who for a number of years have had no growth in budget size, have contributed significant savings and at times worked within a vacancy freeze in order to support short term savings. This context as stated is critical for both budget planning but also service delivery and the delivery of the Council's new Corporate Plan.
- 2.5 The next three-year budget planning cycle will also take place at the same time as the Council's Children's Service Improvement Plan is delivered - this is the priority for the Council. As Members will be aware, a recommendation in the Commissioner's report was that the MTFP should be aligned with that Improvement Plan for a period of five years. That process was conducted and reflected in the budget report of February 2024, and this will again be a key feature of this MTFP. Substantial ongoing work is continuing on this budget, with the Chief Executive, s151 officer and Executive Director of Children's Services working collaboratively on the management of the in-year position and longer-term budget plan. This will continue over the course of this budget planning process, will take full account and will continue to be aligned to the Improvement Plan and will inform the three-year budget plan. This will in turn inform budget allocation, budget realignment in the service as required and how this will influence other budgets across the Council and longer-term investment opportunities.
- 2.6 The sections that follow in this report will therefore set out the national challenges facing all councils, the Council's forecast position and the steps taken to set a budget for the next three years.

## Local Government Financial Environment

- 2.7 This Medium-Term Financial Plan sits against a continued backdrop of financial uncertainty and challenge for local authorities. The Local Government Financial Settlement for 2024/25 provided no information to support planning for 2025/26 and future years. The

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Chancellor's Autumn Budget Statement provided some information on local government funding for 2025/26 but funding beyond that point won't be known until the Government announces its three-year Comprehensive Spending Review in late 2025.

2.8 Whilst the funding that will be made available from central government remains difficult to forecast, the financial environment the Council operates within at present is equally difficult to navigate and is extremely volatile, and this is reflected in 18 councils across the country now in receipt of 'exceptional financial support'. This is reflected in:

- Despite inflation now being between 2% and 3%, due to the issues of the last three years, there is now inherent cost pressure from inflation of over 20% built into the current costs of the Council for which additional funding was not made available.
- Continued cost pressures relating to Adult Social Care and Children's Services including Social Care. The demand for, and cost of, social care and home to school transport continues to increase exponentially across both adults and children's services, far outstripping historical funding allocations.
- The long-awaited Review of Relative Needs and Resources (formerly the Fair Funding Review) was due to review and reset councils' funding baselines according to local need. It has been delayed for several years by Central Government and had been expected to be the subject of consultation in Spring 2022 but there has been no progress to date- the new government has promised this will be the subject of review but clearly this won't be possible to inform 2025/26 so may impact later in the three-year cycle,
- As part of the Review of Relative Needs and Resources, the Council would expect the Business Rates Retention gains the Council has made since the last reset would be lost. In addition, as part of the Liverpool City Region 100% Business Rates Pilot Agreement the Council has retained a 99% share of growth in Business Rates since April 2017. It is unclear what will happen to Business Rates Pilot schemes if the Review does not go ahead.
- The level at which the Council Tax referendum limit would be set up until 2024/25 was confirmed in 2022. The policy is that council tax could increase by 2.99% per annum and a further 2% can be levied for Adult Social Care each year. This was reflected in the Spending Power calculation for each council. There is uncertainty however as to whether the new Government will continue or revise this policy.
- Health Integration – This integration is intended to bring together key functions such as social care, mental health services and public health advice, to deliver 'joined up care' for its local population, improve people's health & wellbeing and reduce health inequalities.

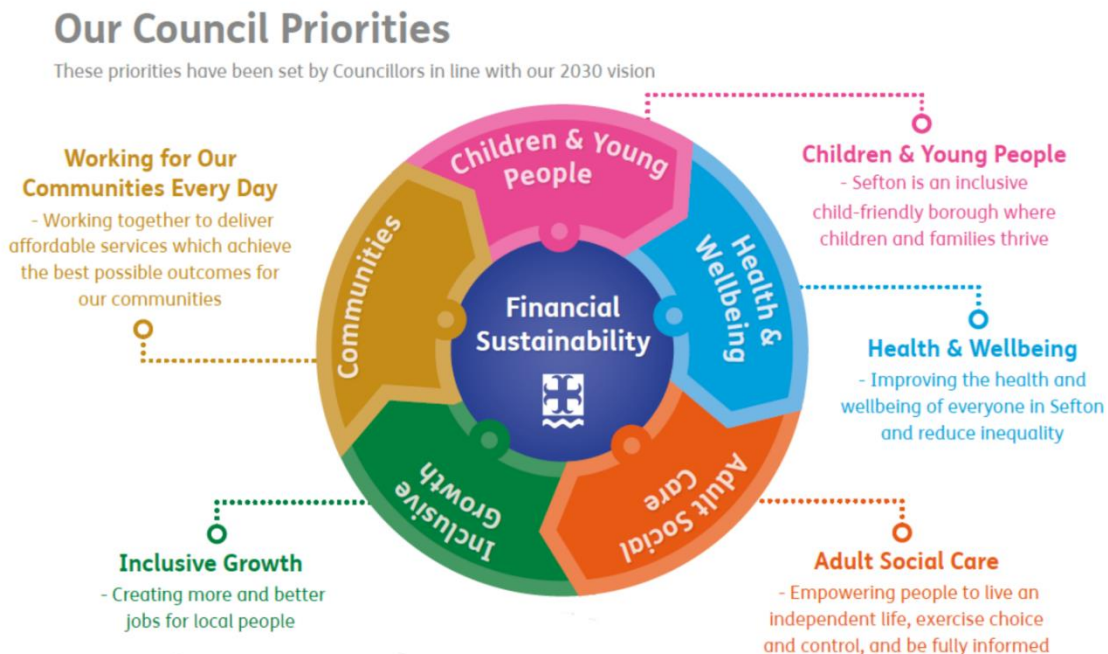
2.9 The level of uncertainty nationally makes planning ahead for the medium-term very difficult and makes it one of the most difficult years to be setting a budget. As such it is important that councils ensure they are appropriately prepared for a range of outcomes.

## The Sefton Approach- Corporate Plan and Transformation Plan

2.10 The Council, in approaching this three-year budget cycle, will do so in the context of the delivery of the refreshed Corporate Plan, and will use its new Transformation Plan as the delivery vehicle for investment and savings. The Council's priorities, which will be reflected in the Three-Year Budget Plan, are illustrated in the following diagram:

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## Council Priorities



## Outcome and Key Issues arising from the Autumn Budget Statement

2.11 On 30<sup>th</sup> October 2024, the Chancellor of the Exchequer made the Autumn Budget Statement, which included a number of announcements relating to local government funding for 2025/26.

- Core Spending Power for local government would increase by around 3.2% in real terms.
- This will include inflationary increases in locally retained Business Rates and Council Tax flexibilities. Whilst there was no additional detail in what Council Tax flexibilities means, it is estimated that this will equate to a 5% increase in Council Tax if Core Spending Power is to increase by 3.2% in real terms. It is also unclear whether referendum principles will continue, or whether councils will have total flexibility to increase Council Tax.
- As part of the increase in Core Spending Power, there will be an additional £1,300m grant funding made available to councils. Of this, at least £600m is new grant funding for social care, with the balance for other pressures. It is estimated that, using previous allocation methodologies, Sefton would receive in the region of £7.5m. This assumption has been built into the MTFP update below.
- Local authorities are also expected to receive £1,100m of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025. However, the amount each local authority will receive going forward isn't certain (although exceptionally for 2025/26 the Government will guarantee that if income isn't in line with a central estimate, then it will provide top-up funding in the year). Also, it is uncertain as to what



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additional costs will be incurred by the Council to improve recycling outcomes. The potential additional funding has therefore not currently been included in the MTFP update.

- Funding of £1,000m will be made available to extend the Household Support Fund and Discretionary Housing Payments into 2025/26.
- An additional £233m will be made available to fund homelessness pressures. As with existing funding, the allocation received by the Council will be added to the Homelessness budget.
- A £1,000m uplift to Special Educational Needs and Disability (SEND) and Alternative Provision funding. This will be part of the Dedicated Schools Grant funding.
- It has also been confirmed that funding has been set aside to protect local government from our changes to employer National Insurance Contributions, and the impact they will have on their direct staffing costs.

2.12 The Government have also stated that they will update and improve the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up-to-date assessment of need and local resources. This will be a long-term programme of recovery and reform which will start with a deprivation-based approach in 2025/26 with additional funding targeted to the places that need it most. This approach has long been requested by local authorities in the Liverpool City Region in their submissions to Government. More detail will be made available when the Local Government Finance policy statement is published later in November. However, the impact this will have on the funding available to Sefton will only become known when the Provisional Local Government Finance Settlement is announced in late December 2024.

## Updated financial Position 2025/26 to 2027/28

2.13 As previously mentioned, the Council has over the last 14 years had a commitment to making all key decisions that would deliver financial sustainability. This is becoming increasingly difficult to maintain and the range of issues and functions that need to be considered and addressed continues to increase. This has been compounded by the unprecedented issues within the Children's Services budget in recent years which have led to £23m of reserves and balances being used to fund pressure in this area in addition to the £32m of investment that has been made.

2.14 The Budget Report approved in February 2024 set out an estimated net funding gap over the period 2025/26 to 2026/27 of £19.2m, excluding any potential increases in Council Tax. In developing this Medium-Term Financial Strategy, the Council has sought to update this overall financial position based upon the latest information available including information from the autumn statement. Central to this exercise has been a review of all assumptions underpinning the funding shortfall including all funding streams, both centrally allocated and locally generated, and all inflationary and demand led cost pressures.

2.15 As with any financial forecast the assumptions contained within it will be continually updated as additional information becomes available or assumptions are confirmed. Particular consideration must be given to the impact on future year budget requirements of demand increases, the pressures emerging in year linked to inflation and the delivery of savings. Members will be informed at regular intervals of the budget setting process as to the impact of any of these changes.

2.16 Some of the areas that will be the subject of continued review during this period will include the financial impact arising from:

- Inflation, including the impact of workforce shortages in some areas on pay levels.
- Pay awards.

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- Level of contingencies required.
- Use of reserves.
- Capital financing.
- Trading position of Council companies.
- Funding the High Needs Deficit
- Demand led pressures relating to Adult Social Care and Children's Social Care; and
- Impact of regeneration and other Council sponsored major developments.

2.17 Taking into account the latest available information relating to funding, and having considered and refreshed all other planning assumptions, the estimated overall gross funding gap facing the Council over the next three years is in the region of £40.630m (excluding any potential increases in Council Tax and savings previously approved by Members). This is summarised in the following table:

Table 1: Overall Funding Shortfall over MTFP period 2025/26 to 2027/28

	2025/26	2026/27	2027/28
	£'m	£'m	£'m
<b>Investment:</b>			
Home to School Transport- growth in demand	3.200	1.600	1.600
Additional investment in Transformation, Corporate Landlord and Corporate Support	1.481	0.000	0.000
Growth Programme (indicative net additional costs and phasing)	0.436	1.346	1.208
<b>Total Investment</b>	<b>5.117</b>	<b>2.946</b>	<b>2.808</b>
<b>Inflationary Pressures:</b>			
Provisions for Pay, Contract Inflation, etc.	6.850	5.950	5.950
Assumed increase in Care Provider costs re. ASC	5.500	5.500	5.500
Assumed increase in Care Provider costs re. CSC	1.250	1.250	1.250
Assumed increase in Home to School Transport	0.300	0.300	0.300
Energy Costs – assumed permanent increase	1.000	0.000	0.000
External Audit costs	0.225	0.000	0.000
<b>Total Inflationary Pressures</b>	<b>15.125</b>	<b>13.000</b>	<b>13.000</b>
<b>Other MTFP Changes:</b>			
Council Tax Base	-1.320	-0.500	-0.500
Car Parking – permanent loss of income	0.500	0.000	0.000
Academisation – permanent loss of income	0.690	0.210	0.000
Insurance – increased contributions to the Fund	2.100	-1.100	0.000
Loss of investment income due to High Needs Deficit	2.000	-2.000	0.000
ICT Refresh	0.100	0.000	0.000
Provision for In-Year budget overspends	0.000	3.000	0.000
Impact of Budget Decisions in Previous Years	-0.500	-0.500	-0.500
<b>Total Other MTFP Changes</b>	<b>3.570</b>	<b>-0.890</b>	<b>-0.763</b>
<b>Additional Funding:</b>			
Social Care Grant	0.000	0.000	0.000

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Services Grant	0.454	0.000	0.000
New Homes Bonus	-1.250	1.250	0.000
Settlement Funding Assessment / Business Rates Baseline	-2.000	-2.000	-2.000
Estimate of Additional Funding announced in the Autumn 2024 Budget Statement	-7.500	0.000	0.000
	<b>-10.296</b>	<b>-0.750</b>	<b>-2.000</b>
<b>Revised MTFP Funding Gap excluding Council Tax and budget savings</b>	<b>13.516</b>	<b>14.306</b>	<b>12.808</b>
<b>Total MTFP Funding Gap</b>			<b>40.630</b>

2.18 As part of the budget setting process for 2024/25, in February 2024 Budget Council agreed a number of savings that would be achieved from 2025/26 and in future years. The impact of these savings is shown below:

	2025/26	2026/27	2027/28
	£'m	£'m	£'m
Impact of Budget Savings agreed February 2024	<b>-2.465</b>	<b>-4.115</b>	<b>-0.263</b>

2.19 It should be noted that this position assumes that no additional rightsizing of budgets will be required on an annual basis. This assumption is critical in developing next year's budget. The table above includes provision for rightsizing the home to school transport budget for the pressure identified at mid-year review in the current year (as reported elsewhere on this agenda), however it does not include provision for any structural overspending in 24/25 in Children's Social Care. This budget was rightsized, had further investment and then had substantial budget re-alignment to reflect a new staffing structure that is to be implemented in-year based on increased investment in that structure and a reduced number of residential placements that would reduce that budget. This reduction has not been experienced hence the budget pressure. Therefore, in November 2024 a fundamental review of the budget and what is required for 2025/26 will be made by the Chief Executive, Executive Director of Children's Social Care and Education and s151 officer and this may require an updating of the MTFP figures reported.

2.20 The other key point is in respect of Adult Social Care- the strategy within the service is Better at Home and this is reflected in the transformation planning and figures and savings within the MTFP. As can be seen in the current year's budget monitoring, residential numbers and costs are increasing hence the budget pressure being experienced- a review of the current and forecast performance data for the next two years will be required alongside the transformation programme in order that robust information can be used for budget planning- again this will be done during November 2024. Both of these issues will be critical to budget planning to ensure the budget reflects the latest forecast information produced by the service and alignment with the transformation plan.

2.21 Within this position it can be seen that there are £52m of Council wide cost pressures across the three years including the following:

- Children's Social Care – additional resources of £3.750m to funding inflationary pressures.
- Home to School Transport - additional resources of £7.300m to fund inflationary pressures (£0.900m) and potential increases in demand for the service (£6.400m).

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- Adult Social Care – additional resources of £16.500m to fund the net cost of inflationary provider fee increases.
- Other Inflationary Pressures – additional resources of £19.975m relating to the additional costs of funding pay awards, pension contributions, contract inflation and levy increases.
- Growth Programme – additional resources of £2.990m to fund investment in Council assets.

2.22 The funding gap presented of £40.630m is **before** taking into consideration any additional locally generated income in the form of Council Tax which is currently estimated to raise an additional £26.522m subject to Member approval (and assuming the referendum principles from 2023/24 and 2024/25 remain in place) and savings previously approved by Members.

2.23 The previous referendum principles allowed for a 2.99% increase in the general Council Tax rate plus a 2% Adult Social Care Precept, and the figures presented include a refreshed council taxbase reflecting forecast housing growth, collection rates and the anticipated cost of the Council Tax Reduction Scheme. As mentioned in paragraph 2.11, the Autumn Budget Statement didn't specifically refer to referendum principles. However, it is assumed that the council tax flexibilities included in the calculation of the increase in Core Spending Power includes an increase of 5%. The resources an overall 4.99% Council Tax increase could potentially generate, is shown below:

Table 2: Potential Resources generated from Council Tax Increases 2025/26 to 2027/28

	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
Core increase (2.99%)	-5.056	-5.323	-5.513	-15.892
Adult Social Care Precept (2.00%)	-3.382	-3.561	-3.687	-10.630
<b>Total</b>	<b>-8.438</b>	<b>-8.884</b>	<b>-9.200</b>	<b>-26.522</b>

2.24 The growth in business rates reflects an annual increase in the nationally set Multiplier which is directly linked to the Consumer Price Index. In recent years businesses have been protected from these inflationary increases and Central Government has reimbursed councils via a grant for the lost income and it is assumed that this will continue to be the case.

2.25 As stated previously, forecasts will continue to be refined as further government announcements are made and clarity received on funding streams and cost pressures.

2.26 In light of the anticipated funding gap over the MTFP period, the Council is developing strategies in order to meet the challenges faced. Given the financial uncertainty the focus will be on developing a balanced and sustainable budget for the next three years to provide some stability to the organisation taking full account of the transformation programme.

2.27 As discussed earlier in this report, the Council has a demonstrable track record in developing deliverable budget packages that facilitate the delivery of sustainable services to the residents of the Borough and ensure effective and efficient financial management. This is becoming increasingly challenging, and has been especially so in Children's Services which, as outlined earlier in this report, has seen additional investment over the last four years of £32m. This has been based on the service's view of the resources required to deliver the Improvement Plan and also to reflect demand and yet despite this, overspending has resulted in an additional £23m of reserves and balances being utilised. As such, in approaching this budget cycle, **Page 174** will once again require a comprehensive

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approach to developing a budget package as the size of the financial challenge is significant. As part of this three-year budget cycle, it will also be important that the Council can demonstrate how it continually demonstrates that it achieves value for money in the delivery of services. The use of comparative data can sometimes generate debate; however, the Council will identify key themes, trends and analysis which will be used to inform budget decisions over the three-year period.

- 2.28 The scale of the financial challenge facing the Council over the next three years will require key long term policy decisions to be made at the earliest opportunity if the Council is to remain financially well managed.
- 2.29 The Council's new Corporate Plan sets out the Council's ambition, which will guide the development of the budget package to ensure it is closely aligned to these priorities. These are:
- Children & Young People – Sefton is an inclusive child friendly borough where children and families thrive.
  - Health & Wellbeing - Improving the health and wellbeing of everyone in Sefton and reduce inequality.
  - Adult Social Care - Empowering people to live an independent life, exercise choice and control, and be fully informed.
  - Working for Our Communities Every Day - Working together to deliver affordable services which achieve the best possible outcomes for our communities.
  - Inclusive Growth - Creating more and better jobs for local people.
  - Financial Sustainability
- 2.30 The process must, as always, remain a careful balance between balancing the budget in the short term whilst still maintaining prudent financial management over the longer term.

## 3. **Climate Emergency**

- 3.1 As Members will be aware, the Council has declared a climate emergency with the aim of being net zero at 2030. Progress on the project has been positive to date and firm progress towards this goal has been made and is on target. Over the course of this MTFP period, the remaining activities that will deliver on this net zero aim include the replacement of fleet and decarbonisation of a number of buildings including all Leisure Centres. Decarbonisation plans are in place and the Council clearly understands what is required to meet this target, however the estimated cost of the required fleet, boilers, etc., is estimated at £30m. If borrowed this would amount to around £1.5m additional cost per annum. This figure is currently not in the MTFP calculations as the Council seeks to determine what grants / funding will be made available from central government. This is a key feature of this MTFP.

## 4. **Member Engagement in the Budget Setting Process**

- 4.1 In order to facilitate the development of a budget package the Council will utilise a clear budget planning process involving key officers. A series of engagement and update sessions will be held throughout the budget cycle with the outcome being reported to Cabinet Members, on a collective basis, and in advance of February 2025 Budget Council in order that a progressive and informed budget package is developed.
- 4.2 The final budget package is scheduled in the committee diary to be considered by Overview and Scrutiny (Regulatory, Compliance and Corporate Services) Committee on 11 February 2025, Cabinet on 13 February 2025, and Council on 27 February 2025.

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## 5. **Public Consultation**

- 5.1 The Council will ensure that as a budget is developed, appropriate consultation, engagement and communication takes place on the proposals for 2025/26 to 2027/28 in the final quarter of 2024.
- 5.2 Feedback will be shared with members and inform the budget package put forward to be agreed by Council on 27 February 2025.

## 6. **Financial Resilience**

- 6.1 The financial resilience of councils is something that has gained a higher profile in recent years, with an increasing number of councils now facing financial difficulties, and with some of these being in receipt of exceptional financial support. In addition to the continued uncertainty surrounding Local Government funding and the pressures facing social care services for both adults and children, the current cost of living crisis and increasing inflationary pressures, has the potential to impact further on the financial resilience of many councils.
- 6.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) publish a Financial Resilience Index that measures the financial resilience of councils. The latest results were announced in May 2024 based on data from financial year 2022/23.
- 6.3 From this work there are two key issues for the Council. Firstly, the Council has a relatively high risk due to the high amount (in percentage terms) of its budget it spends on its two largest demand led services, e.g., Adults Social Care and Children's Social Care. This is considered high risk as if spending pressures increase either in this area or other areas there is little flexibility to meet this pressure. As reported earlier there is approximately 70% of the Council's budget spent in these areas and this budget cycle needs to have this as a primary consideration, not only due to this risk but also as the Council has a large number of other services it needs to provide. A further increase in the proportion of the budget allocated to these demand led areas will increase the financial risk the Council faces and compromise financial sustainability.
- 6.4 The second key issue is around the level of reserves the Council holds. The Council's Reserves Strategy aids longer-term financial stability and mitigates the potential impact of future events or developments which may cause financial difficulty. The Council now has an appropriate level of General Fund Balances but has a low level of earmarked reserves, and therefore total reserves, compared to other councils. Critically though the Council cannot continue to overspend on key services, such as Children's Services, as it has done in the last three years, hence the principle of all budget assumptions being signed off by services in addition to confirming that they will work within the approved cash limit approved by Members. It was agreed in the last budget report, that following the substantial increase in General Fund Balances that if these were to be used for budget pressure they would need to be repaid in the next financial year- this principle is common in the sector and must be adhered to.
- 6.5 General Balances and Earmarked Reserves are a key measure of the financial resilience of the Council. Any use of General Fund Balances would need to be reimbursed over the medium-term planning period to ensure that the Council continues to hold a level of Balances within the risk assessed range. Further information on the current level of reserves is set out later in this report.

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- 6.6 The Council closely monitors its finances with routine reports being considered by Members on a monthly basis, with quarterly reports including comprehensive performance and risk sections. Remedial action is taken whenever required to offset emerging budget pressures. All savings proposals are regularly reviewed for deliverability and are risk assessed by officers throughout the year. The Council also undertakes regular reviews of its balance sheet risks and takes appropriate action as necessary.
- 6.7 As such the Council has a very strong record of sound financial management and has continued to deliver budget savings each year throughout the last 14 years. These have ensured that it has been able to protect core service provision and remain in a strong position financially.
- 6.8 Planning ahead for the medium-term enables the Council to make strategic and well considered decisions in relation to its finances and service provision. There continues to be uncertainty about the future funding levels for the Council going forward alongside the significant impact caused by the current cost of living crisis and increased inflation and the pressure and Improvement Plan with Children's Services making this approach more important than ever.
- 6.9 The Council does not underestimate the significant challenges faced both nationally by the Local Government sector as well as locally and recognises that dealing with these challenges is becoming increasingly difficult against a backdrop of uncertainty around economic recovery and Central Government support.

## 7. Capital Programme

- 7.1 In addition to developing a revenue budget package the Council also needs a Capital Programme that continues to invest in both existing operational assets and the development of larger infrastructure projects that will enhance facilities for everyone within the Council's boundaries in addition to the Borough's economy.
- 7.2 As part of the budget package agreed in February 2024 an indicative Capital Programme for the next three years was approved and this aligned with the Council's Capital Strategy. The Council has a Growth Programme now in delivery that includes the Southport Town Deal programme and investment in Bootle via the government Levelling Up Programme. This total Programme will need robust financial management to ensure it remains affordable and deliverable and in particular that:
- the Capital Programme is set within Prudential borrowing limits and in line with the Council's Capital Financing Strategy as approved by Members in February 2024.
  - That capital plans, funding strategies and affordability is continually reviewed as a result of the current and forecast economic issues that exist such as high inflation and supply chain issues; and
  - the investment supports the delivery of the Council's Corporate Plan.
- 7.3 In 2025/26, the Authority is planning capital expenditure of £71.484m. The table below identifies the scale of planned Capital expenditure over the medium-term.

Table 3: Estimate of Capital Expenditure over MTFP period 2025/26 to 2027/28

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	2022/23 £m Actual	2023/24 £m Actual	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
TOTAL	38.705	40.937	80.905	71.484	33.467

- 7.4 The estimated levels of expenditure above represent those elements approved by Council and which have been included within the Capital Programme. A summary of the Council's current Capital Programme was included as part of the Council's main budget report and was published alongside the Capital Strategy document. This continues to be updated as future capital decisions are made. These updates are reported as part of the monthly budget monitoring reports presented to Cabinet.
- 7.5 One of the fundamental requirements and drivers to maintain and continually update the Council's Capital Strategy is the greater emphasis on locally generated income (e.g., Council Tax and Business Rates) to support local government funding. The reliance on this income to support the delivery of frontline services means that it is important that the Council, working with its partners, optimises the opportunity. As a result, development of economic growth is important in ensuring that financial sustainability for the Council is achieved, and the ambitions as set out in Vision 2030 are met.
- 7.6 Funding for the Capital Programme is derived from variety of sources including external grants, contributions and capital receipts.
- 7.7 The Southport Town Deal projects – which were approved by the former Department for Levelling Up, Housing and Communities (DLUHC) – have been included within the estimates of capital expenditure above. Southport is set to receive £37.5m in government grant funding for a range of projects across the town centre and seafront following the successful bid and the award represents one of the largest Town Deals that the government has agreed nationally and across 101 towns.
- 7.8 Additional funding of £20m for Bootle has also been provided as part of the government's Levelling Up Programme which will support the regeneration of the town centre.

## 8. **Council Wholly Owned Companies**

- 8.1 The Council wholly owns three companies who provide services on its behalf. These are Sandway Homes Limited, Sefton Hospitality Operations Limited and Sefton New Directions.
- 8.2 While they operate at arms-length from the Council, the Council remains at least partially responsible for their performance and can be impacted by financial pressures they face and risks they carry. As such it is prudent for the Council to recognise potential cost pressures the companies face in its financial scenario, to the extent that they may affect the Council's future budgets.
- 8.3 Within the current financial environment of the UK there are two sectors that are under substantial financial pressure- the adult social care market and the housing sector. The main risks over the current financial planning period therefore relate to Sefton New Directions and Sandway Homes Limited. Sefton New Directions is facing financial challenges around staff costs, inflation and providing care, and a fundamental review of that business and its medium-term financial plan has been undertaken and will be presented to Cabinet in December 2024. Similarly, Sandway Homes has and is being impacted by cost of construction, supply chain issues and the timing and pace of sales of homes due to interest rate increases in the last three years- again a comprehensive report will be presented to the Cabinet meeting in December 2024



## 9. Next Steps/Timetable

- 9.1 Given the period of this Medium-Term Financial Plan the intention is to set a three-year budget covering this period. The key next steps are as follows:
- Budget planning sessions to be held to refine the budget package and bridge the funding gap.
  - Continue to review and refine the financial scenario in light of the latest information available.
  - Budget engagement.
  - Consider the budget package in light of the Provisional Local Government Financial Settlement expected in December 2024; and
  - Finalise a budget package with the draft Budget Report to be considered in February 2025 by Overview and Scrutiny Committee and Cabinet before full Council.

## 10. General Balances and Earmarked Reserves

- 10.1 As part of its financial management process, the Council ensures it has set aside resources in General Fund Balances to fund unforeseen costs that may arise. In addition, the Council also holds Earmarked Reserves which have been provided for specific existing plans and commitments. The Council's approach to managing these balances and reserves was set out in the Budget Report approved by Council in February 2024.
- 10.2 Following the risk assessment undertaken at that time it was considered an appropriate level of General Balances for the Council would be in the region of 11% of the net revenue budget. Therefore, General Fund Balances of around £30m would be considered prudent as a target for March 2025.
- 10.3 As at 31 March 2024 the Council held General Balances of £16.300m and Earmarked Reserves of £32.680m (£15.590m of which relates to unutilised Revenue Grants and Contributions). The budget for 2024/25 included a contribution to General Balances of £13.977m so balances are budgeted to increase to £30.277m by 31 March 2025. This amount of General Balances is in line with the risk assessed range at this time, however the risks facing the Council continue to increase, therefore it is likely that this sum will also need to increase. This report provides for a further £3m being added to balances each year from 2026/27 with the aim being to reach £40m within the next 4 years. (and importantly if any are used then they should be replenished in the same period). This higher level also reflects that unlike some other councils, Sefton does not have a historically high level of Earmarked Reserves that it could call on should there be an immediate or unforeseen financial shock.
- 10.4 It can be seen from the mid-year review that balances of over £6.5m will be required to be used due to forecast overspending in 2024/25. Based on the Council recommendation, if this forecast materialises then these will need to be replenished within this MTFP period- this aligned to any structural pressure from Children's Services from 2024/25 into 2025/26 are two key issues which require immediate resolution as part of budget planning. It can be seen that pressure within the overall budget is significant therefore consideration will be given to services that require balances to meet in-year pressure repaying these where appropriate based on transformation delivery (i.e., savings are delivered from budgets previously under pressure) or demand reduction.
- 10.5 In May 2023 DLUHC provided an update on levels of reserves and balances held by councils and whilst the Council's General Fund Balances are now higher than the median level across the country which is positive (at 11% vs 6%), as stated the Council has Earmarked Reserves that are substantiPage 179in the same comparator local authorities.

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The Council has always taken the view that Earmarked Reserves should only be held for a specific purpose, hence the continual review, however this level does mean that the flexibility reduces if an adverse situation develops that could require the redirection of resources. From the current analysis it is estimated that only a low number of Earmarked Reserves could be redirected to support the Council's wider budget position should a financial shock be experienced. As such it is important that the General Fund Balances are at a level that compensates for this lower level of Earmarked Reserves.

10.6 As part of this budget setting process the Council will again review all of its Earmarked Reserves with due regard being given to the impact of any emerging issues and any other strategic financial decisions that will be made over the next four years.

## 11. High Needs Deficit

11.1 In addition to the Council's General Fund Balances and Earmarked Reserves there are also those in respect of the Dedicated Schools Grant. As has been reported continually over recent years, the key issue and risk within this is the deficit balance in respect of the High Needs Budget. This has grown gradually since system reform in 2013. Up until 2019/20 the growth in the deficit was £1m-£2m per year so that the total was £5.4m at the end of 2019/20. This rate of increase however has grown significantly since that point with the deficit increasing by £19.3m in 2023/24 and forecast to increase by a higher amount in 2024/25. The deficit will therefore be over £57m by the end of 2024/25. This has been driven by the number of EHCP's increasing from 1,765 at the start of 2020 to 3,655 by October 2024.

11.2 With this being an issue for a number of councils across England the Council has been part of the Delivering Better Value programme. This programme estimates that without intervention the deficit on the High Needs Block will increase to over £100m by 2028. A recent survey across the country has suggested that at the end of 2027/28 deficits across England could amount to £8bn with the annual figure rising exponentially.

11.3 There is currently a statutory override in place until March 2026, that ringfences this deficit and the advice is that this should not impact on the General Fund of councils, however the risk is that when this override finishes the General Fund will have to fund the deficit. The Council has and will continue to lobby that this is a DSG issue, and the impact should either be met from the DSG or from central government funding or reform, however this risk is real and cannot be ignored.

11.4 When the deficit was increasing at a modest amount annually the Council could realistically have put in a recovery plan to meet this over, for example, a similar time period to which it has built up, e.g., a decade, but with annual increases of up to £20m per annum this is not possible. Therefore, engagement is required across the sector and with central government departments on how this will be addressed post 2026.

## 12. Debt / Borrowing

12.1 Members will recall from the Treasury Management Strategy approved in February 2024 that over the last decade, due to the prevailing market conditions, the Council has previously chosen not to undertake any long-term borrowing to support its capital expenditure. This is with the exception of the purchase of the Strand Shopping Centre and some other nominal amounts. The Council has instead chosen to temporarily fund capital expenditure by internally borrowing resources from its cash balances.

12.2 When long term interest rates (which determine interest payable on new long-term loans) are significantly higher than short-term interest rates, and this situation is expected to prevail for

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the foreseeable future, then a policy of internal borrowing is appropriate as it minimises the net cost of interest payable by the revenue budget over the medium-term. A policy of internal borrowing also reduces the credit risk faced by the Council.

12.3 At 31 March 2024 the Council had £138.459m of external borrowing (loans advanced from the Public Works Loan Board (PWLB)) and in the region of £90m of internal borrowing.

12.4 However, the Council's cash balances have now reduced to levels that it can no longer internally borrow – this is as a direct result of the High Needs Deficit which has to be financed. This will also require additional borrowing to be taken out, reversing some of the internal borrowing previously used. In addition, the Council will need to borrow for the Growth Programme and for the part funding of major capital schemes. The Council will take advice from its treasury management advisor, Arlingclose, on the most appropriate borrowing strategy. This will be reported to Budget Council and Audit and Governance Committee.

## 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 2025/26 to 2027/28, which supports its Financial Sustainability in 2025/26 and future years.

## 5 Staffing HR Implications

None

## 6 Conclusion

The report indicates that a total budget gap of **£40.630m** is currently forecast for the period 2025/26 to 2027/28, prior to decisions about Council Tax, savings previously approved by Members and any further budget savings being made. However, there is considerable uncertainty around some of the assumptions made, particularly around government funding in 2026/27 and 2027/28.

## Alternative Options Considered and Rejected

None

### Equality Implications:

There are no equality implications.

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## **Impact on Children and Young People:**

The report highlights the additional resources included within the Medium-Term Financial Plan relating to services provided for Children and Young People.

## **Climate Emergency Implications:**

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

## **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 (FD7834/24).

The Chief Legal and Democratic Officer (LD5934/24) 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 Minutes of the Cabinet Meeting and immediately following Council.

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## **Appendices:**

There are no appendices to this report

## **Background Papers:**

There are no background papers for inspection.