

Overview
& Scrutiny



MEETING: OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES)

DATE: Tuesday 7th February, 2023

TIME: 6.30 pm

VENUE: Committee Room, Town Hall Bootle

Member

Councillor
Councillor Bradshaw (Chair)
Councillor Byrom (Vice-Chair)
Councillor Bennett
Councillor Carlin
Councillor D'Albuquerque
Councillor Grace
Councillor Killen
Councillor McGinnity
Councillor Robinson
Councillor Shaw

Substitute

Councillor
Councillor McKee
Councillor Murphy
Councillor Irving
Councillor Page
Councillor Jones
Councillor Roche
Councillor Chris Maher
Councillor Myers
Councillor Thomas
Councillor Evans

COMMITTEE OFFICER: Paul Fraser
Senior Democratic Services Officer
Telephone: 0151 934 2068
E-mail: paul.fraser@sefton.gov.uk

If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.

We endeavour to provide a reasonable number of full agendas, including reports at the meeting. If you wish to ensure that you have a copy to refer to at the meeting, please can you print off your own copy of the agenda pack prior to the meeting.

AGENDA

1. Apologies for Absence

2. Declarations of Interest

Members are requested at a meeting where a disclosable pecuniary interest or personal interest arises, which is not already included in their Register of Members' Interests, to declare any interests that relate to an item on the agenda.

Where a Member discloses a Disclosable Pecuniary Interest, he/she must withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation.

Where a Member discloses a personal interest he/she must seek advice from the Monitoring Officer or staff member representing the Monitoring Officer to determine whether the Member should withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest or whether the Member can remain in the meeting or remain in the meeting and vote on the relevant decision.

3. Minutes of the Previous Meeting (Pages 5 - 12)

Minutes of the meeting held on 10 January 2023

4. Asset Management Strategy and Asset Disposal Policy 2023/24 (Pages 13 - 46)

Report of the Executive Director of Corporate Resources and Customer Services

5. Prudential Indicators 2023/24 (Pages 47 - 62)

Report of the Executive Director of Corporate Resources and Customer Services

6. Treasury Management Policy and Strategy 2023/24 (Pages 63 - 100)

Report of the Executive Director of Corporate Resources and Customer Services

7. Capital Strategy 2023/24 to 2027/28 (Pages 101 - 124)

Report of the Executive Director of Corporate Resources and Customer Services

- 8. Robustness of the 2023/24 Budget Estimates and the Adequacy of Reserves – Local Government Act 2003 - Section 25** (Pages 125 - 144)

Report of the Executive Director of Corporate Resources and Customer Services

- 9. Revenue and Capital Budget Plan 2023/24 – 2025/26 and Council Tax 2023/24** (Pages 145 - 194)

Report of the Executive Director of Corporate Resources and Customer Services

This page is intentionally left blank

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY, COMPLIANCE AND CORPORATE SERVICES)



MEETING HELD AT THE COMMITTEE ROOM, TOWN HALL BOOTLE
ON TUESDAY 10TH JANUARY, 2023

PRESENT: Councillor Bradshaw (in the Chair)
Councillor Byrom (Vice-Chair)
Councillors Bennett, Grace, Killen, Page and
Robinson

ALSO PRESENT: Councillor Lappin

26. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Carlin.

27. DECLARATIONS OF INTEREST

No declarations of interest were received.

28. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 1 November 2022 be confirmed as a correct record.

29. UPDATE ON THE PROGRESSION OF THE LIVERPOOL CITY REGION DIGITAL INCLUSION STRATEGY - PRESENTATION

The Committee received a presentation from Andrea Watts, Executive Director of People that updated on the Liverpool City Region Combined Authority (CA) Digital Inclusion Strategy (the Strategy).

Ms. Watts advised the Committee:

- About the key components of connectivity, equipment and skills
- That Digital inclusion was a priority set out in the CA's Corporate Plan; and that the CA's Digital Infrastructure project included a substantial social value element that had significant ambitions towards supporting digital access and inclusion, as well as jobs and apprenticeships
- Work to date which included the proposals being formulated that would deliver the Digital Inclusion workstream, with the aim of targeting provision, providing a joined-up approach with other programmes, and ensuring that residents across Liverpool City Region had the abilities, access and support needed to take part in a modern digital life
- About the Digital Inclusion Alliance Network whose premise was to build a membership network that would drive the Digital Inclusion

Agenda Item 3

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH
JANUARY, 2023

agenda from a strategic perspective, harnessing a range of key sector representatives both from statutory services, but also bring in employers, community groups, housing providers, education providers and health to name but a few

- About the Digital Inclusion Pledge and that as part of the membership of the Digital Alliance Network, members would be invited to sign a Digital Inclusion Pledge that would commit organisations to supporting digital inclusion efforts and would be co-designed via the Taskforce underpinned by a number of principles
- About the Digital Champions Model that built upon former schemes and would include support through trained LCR Digital Champions. This would enable volunteers to be trained who would provide holistic support and guidance to individuals who were digitally excluded, helping them get online and make the most of a modern digital life
- About Digital Support Intervention Pilots that informed by data and local authority colleagues, other areas of intervention would be explored that helped target digital exclusion –e.g., social broadband tariffs, recycled digital kit or free mobile data for those most in need
- About the next steps which included the inaugural Digital Inclusion Taskforce Meeting on 23rd January 2023; the completion of several surveys gathering lived experience of digital inclusion through programmes including Households into Work and the Department for Work & Pension's Restart Scheme; working closely with UK Shared Prosperity Fund (UKSPF) colleagues in the Combined Authority; funding that was expected to be committed by the end of the financial year.

Members of the Committee asked questions/commented on the following issues:

- Cross-generational support offered by schools to help residents with ICT skills such as “silver surfer clubs”
- The current operation of 3tc, the Merseyside-based technology charity offering ICT services, ICT Training and Conference Facilities
- Recycling of out-of-date ICT equipment
- The lost opportunity to access the Digital Europe Programme following the United Kingdom's withdrawal from the EU
- How residents could access the provision of ICT services offered by Sefton CVS
- The provision of ICT services by Sefton's library service

RESOLVED:

That Ms Watts be thanked for her informative presentation.

Agenda Item 3

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH
JANUARY, 2023

30. CORPORATE COMMUNICATIONS UPDATE - PRESENTATION

The Committee received a presentation from Elena Lloyd, Corporate Communications Manager that updated on corporate communications within the Council.

Ms. Lloyd updated the Committee on:

- Statistics associated with the Sefton Council website which contained over 2000 pages; and received 4,893,924 unique page views last year
- The new website design
- MySefton which received 174,229 unique page views last year
- Sefton's Facebook page that had 14,237 followers which was an increase of nearly 27% on the previous year; and detailed the top proactive and reactive posts
- Sefton having 25,959 Twitter followers (up 8.1%); and detailed the top proactive and reactive posts
- Sefton having 5332 followers on Instagram (up 20% on last year); and detailed the top 3 posts
- Sefton having 8,663 followers on Linked In (27.3% increase on 2021); and detailed the top 3 posts
- The email marketing system, e-shot that was launched in June and was being used to update residents, businesses and elected members of key news stories and updates from across the Council
- The Communications Team, by the end of 2022, having issued approaching 341 releases and dealt with over 120 incoming media enquiries
- Major communications issues during the year which included a United Utilities burst water main; Operation London Bridge associated with the death of Queen Elizabeth II; Children's Services & Ofsted; Homes for Ukraine; and the cost-of-living crisis

A Member of the Committee asked a question on the following issue:

- How the success of Sefton's corporate communications operation was measured and compared with other local authorities

RESOLVED:

That Ms Lloyd be thanked for her informative presentation.

31. COUNCIL TAX REDUCTION SCHEME, COUNCIL TAX BASE 2023/24

Further to Minute No. 102 of the meeting of the Cabinet held on 5 January 2023 the Committee considered the report of the Executive Director of Corporate Resources and Customer Services that provided details of the review of the local Council Tax Reduction Scheme for the current year,

Agenda Item 3

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY, COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH JANUARY, 2023

2022/23, and recommending to Cabinet that there was no change to the scheme for 2023/24 for working age claimants; that proposed an increase in the long-term empty homes premium from 200% to 300% on dwellings that have been empty for 10 years or more from 1 April 2023; and that provided an updated Council Tax Base for Sefton Council and each Parish area for 2023/24.

Annex A to the report detailed the Council Tax Base for 2023/24; Annex B provided a summary of feedback from the 2018 consultation on increasing the Council Tax Long term empty Homes Premium and the associated equalities impact assessment; whilst Annex C provided an equalities impact assessment in respect of Council Tax Reduction Scheme.

The Committee was advised that the Cabinet, at its meeting held on 5 January 2023 resolved (Minute No. 102) that:

- (1) the content of the review of the Council Tax Reduction Scheme for the current financial year, 2022/23 be noted;
- (2) the Council be recommended to make no changes to the existing Scheme for 2023/24 for working age claimants;
- (3) the Equality Impact Assessment in respect of the Council Tax Reduction Scheme at Annex C of the report be noted;
- (4) the Council be recommended to approve an increase in the Long-term Empty Homes Premium on dwellings that have been left empty for 10 years or more, from 200% to 300%, from 1 April 2023; and
- (5) the Council be recommended to approve the relevant Council Tax Base for Sefton Council and each Parish Area for 2023/24 as set out in Annex A of the report.

The report required approval by Council at its meeting to be held on 19 January 2023.

RESOLVED:

That the report updating on the Council Tax Reduction Scheme and Council Tax Base 2023/24 be noted.

32. FINANCIAL MANAGEMENT 2022/23 TO 2024/25 AND FRAMEWORK FOR CHANGE 2020 - REVENUE AND CAPITAL BUDGET UPDATE 2022/23 - JANUARY UPDATE

Further to Minute No. 104 of the meeting of the Cabinet held on 5 January 2023 the Committee considered the report of the Executive Director of Corporate Resources and Customer Services that advised of:

Agenda Item 3

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY, COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH JANUARY, 2023

- (1) the current position relating to the 2022/23 revenue budget;
- (2) the current forecast on Council Tax and Business Rates collection for 2022/23; and
- (3) the monitoring position of the Council's capital programme to the end of November 2022 in respect of:
 - the forecast expenditure to year end;
 - variations against the approved budgets and an explanation of those variations for consideration by Members; and
 - updates to spending profiles and proposed amendments to capital budgets necessary to ensure the efficient delivery of capital projects are also presented for approval.

Members of the Committee asked questions/commented on the following issues:

- The £17m potential overspend in children's social care brought about by increases in the number of looked after children and accommodation costs, the significant number of vacancies and the resultant need to use agency staff, and increases in legal costs
- The introduction of the social worker academy and the proposal to bring to the Council international social workers to reduce the reliance on expensive agency workers
- Whether the Commissioner who produced the independent report on the delivery of children's services in Sefton had made any comments on the financial aspects of Sefton's children's social care service
- Noted the requirement of the Council to meet its statutory responsibilities regarding the provision of children's social care services
- That the overspend Children's Social Care and Government underfunding needed to be identified as part of the wider budget setting process

RESOLVED:

- (A) That in respect of the Revenue Budget:
 - (1) the current position relating to the 2022/23 revenue budget be noted;
 - (2) the actions being taken to offset the budget pressures being faced in 2022/23 be noted;
 - (3) the financial risks associated with the delivery of the 2022/23 revenue budget be recognised and it be acknowledged that the

Agenda Item 3

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH
JANUARY, 2023

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; and

- (4) the current position relating to the High Needs budget be noted and that officers are currently reviewing all options available to the Council to mitigate the additional pressure and to make the overall High Needs budget financially sustainable; and
- (B) That in respect of the Capital Programme:
 - (1) the spending profiles across financial years for the approved capital programme be noted;
 - (2) the latest capital expenditure position as at 30 November 2022 of £22.639m and the latest full year forecast is £47.141m be noted; and
 - (3) it be noted that capital resources will be managed by the Executive Director of Corporate Resources and Customer Services to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council.

33. WELFARE REFORM AND ANTI-POVERTY REFERENCE GROUP - UPDATE

Further to Minute No. 14 of the meeting held on 22 September 2022 the Committee considered a Welfare Reform and Anti-Poverty update of the Head of Health and Wellbeing and Cabinet Member - Regulatory, Compliance and Corporate Services.

The update provided information on the latest meeting of the Welfare Reform and Anti-Poverty (WRAP) Cabinet Member Reference Group and in particular on activities associated with:

- the cost-of-living crisis
- period poverty – a Sefton update
- Community pantry update
- Sefton child poverty launch event
- Sefton Council housing – cost-of-living challenges
- Emergency limited assistance scheme update

Councillor Lappin, Cabinet Member – Regulatory, Compliance and Corporate Services presented her update and made particular reference to the Sefton child poverty launch event.

A Member of the Committee commented on the following issue:

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH
JANUARY, 2023

- The increasing use of foodbanks and community pantry in more affluent areas of the borough

RESOLVED: That

- (1) the update on the operation of the Members' Welfare Reform Reference Group be noted; and
- (2) Councillor Lappin be thanked for her update.

34. WORK PROGRAMME 2022/23, SCRUTINY REVIEW TOPICS AND KEY DECISION FORWARD PLAN

The Committee considered the report of the Chief Legal and Democratic Officer that sought the views of the Committee on the Work Programme for 2022/23; the identification of potential topics for scrutiny reviews to be undertaken by a Working Group(s) appointed by the Committee; the identification of any items for pre-scrutiny by the Committee from the Key Decision Forward Plan; updated on the Liverpool City Region Combined Authority Overview and Scrutiny Committee; sought a course of action on the operation of the Corporation Communications and Covid-19 Working Group; updated on issues associated with the reporting on the implementation of recommendations arising from the Digital Inclusion Working Group; and updated on the "Tool Kit" for Armed Forces Covenant.

RESOLVED: That

- (1) the Work Programme for 2022/23, as set out in Appendix 1 to the report, be noted;
- (2) the Air Quality update report be deferred and considered at the next meeting of the Committee to be held on 28 February 2023;
- (3) that the Corporate Communications and Covid-19 Working Group be no longer continued and the topic be dealt with at a remote, informal meeting of the Committee;
- (4) the update on the Liverpool City Region Combined Authority Overview and Scrutiny Committee be noted;
- (5) to be consistent with a decision of the Overview and Scrutiny Committee (Regeneration and Skills) no further updates be provided on the implementation of recommendations arising from Digital Inclusion Working Group; and
- (6) the update on the "Tool Kit" for Armed Forces Covenant be noted.

Agenda Item 3

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY,
COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 10TH
JANUARY, 2023

35. CABINET MEMBER REPORT - OCTOBER 2022 - JANUARY 2023

The Committee considered the report of the Chief Legal and Democratic Officer that included the most recent report from the Cabinet Member – Regulatory, Compliance and Corporate Services.

RESOLVED: That

- (1) the update report from the Cabinet Member – Regulatory, Compliance and Corporate Services be noted; and
- (2) Councillor Lappin be thanked for her attendance at the meeting.

Agenda Item 4

Report to:	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services) Cabinet Council	Date of Meeting:	7 February 2023 9 February 2023 2 March 2023
Subject:	Asset Management Strategy and Asset Disposal Policy 2023/24		
Report of:	Executive Director Corporate Resources and Customer Services	Wards Affected:	All Wards
Portfolio:	Cabinet Member – Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The strategy and policy set's out the vision and aspirations for the effective management of the Council's corporate asset portfolio and the role it plays in supporting and shaping the Council's agenda for the 2030 vision.

Aside from its staff the Council's next biggest resource is its land and property therefore it is vital that this resource is managed and used effectively and efficiently to ensure that the Council derives maximum benefit from its assets in support of its strategic aims and priorities.

The Asset Management Strategy & Asset Disposal Policy will provide a framework for the planning, prioritisation, management and funding of the Councils asset base.

This is a statutory document that the Council is required to have in place and will be reviewed on an annual basis.

Recommendations:

Overview and Scrutiny Committee is asked to note the report

Agenda Item 4

Cabinet is asked to:

1. Recommend that Council approve the updated Asset Management Strategy
2. Recommend that Council approve the updated Asset Disposal Policy.

Council is recommended to

1. Approve the Asset Management Strategy.
2. Approve the Asset Disposal Policy

Reasons for the Recommendation(s):

The Asset Management Strategy & Asset Disposal Policy are key documents for Sefton Council which sets out key parameters in respect of the delivery of an efficient and effective property portfolio.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

To be assessed at programme and individual project level.

(B) Capital Costs

To be assessed at programme and individual project level.

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

Resource Implications (Financial, IT, Staffing and Assets):
The Asset Management Strategy & Asset Disposal Policy outlines the governance and framework for future property decisions. Proposals may have an impact on physical assets and/or ongoing revenue income and expenditure and these will be assessed both at a programme and individual project level.
Legal Implications:
To be considered on a case by case basis.
Equality Implications:
To be considered on a case by case basis.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:

The Asset Management Strategy & Asset Disposal Policy will enable the Council to continue to seek to protect the most vulnerable within available resources.

Facilitate confident and resilient communities:

The Asset Management Strategy & Asset Disposal Policy demonstrates a clear commitment to working with partners, communities and local businesses to reduce the reliance on the public sector.

Commission, broker and provide core services:

The Asset Management Strategy & Asset Disposal Policy recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered with accessible links.

Place – leadership and influencer:

The Asset Management Strategy & Asset Disposal Policy will see the Council continue to demonstrate strong and effective leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision-making process.

Drivers of change and reform:

The Asset Management Strategy & Asset Disposal Policy demonstrates the Council playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.

Facilitate sustainable economic prosperity:

The Asset Management Strategy & Asset Disposal Policy clearly articulates the Council's approach to investing and change in order to achieve financial sustainability and the ambitions of Sefton 2030.

Greater income for social investment:

The Asset Management Strategy & Asset Disposal Policy recognises the Council's commitment to developing a commercial nature, looking at what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.

Cleaner Greener:

The Asset Management Strategy & Asset Disposal Policy recognises the Council's commitment to work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, people's wellbeing and the achievement of the 2030 Vision.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

Executive Director Corporate Resources and Customer Services (FD7103/23) is the author of the report and the Chief Legal and Democratic Officer (LD5303/23) has been consulted and any comments have been incorporated into the report.

Agenda Item 4

(B) External Consultations

N/A

Contact Officer: Stephan Van Arendsen
Tel: 0151 934 4082
Email: Stephan.VanArendsen@sefton.gov.uk

Appendices:

1. Asset Management Strategy – Appendix 1.
2. Asset Disposal Policy – Appendix 2.

Background Papers:

N/A

1. Introduction

- 1.1 In-order to effectively manage a property portfolio, it is critical that all authorities have an Asset Management Strategy & Asset Disposal Policy approved and in place for the forthcoming financial year.
- 1.2 The Council has therefore sought to develop an Asset Management Strategy & Asset Disposal Policy for guidance.

2. Content

- 2.1 The contents of the Asset Management Strategy & Asset Disposal Policy are defined, however it is recognised that the final documents should specifically reflect Sefton's circumstances. As such the document aims to provide information and guidance on how decisions will be made and what considerations will be taken into account in the management of assets within Sefton. These documents are to be read in conjunction with delivery plans and any other plans derived from this.
- 2.2 Both the Asset Management Strategy & Asset Disposal Policy were last presented as part of the budget reporting in February 2022. Whilst the documents in this year's annual review remain largely unchanged with only minor changes, it is considered appropriate to present the full documents for approval once again. The amendments included in the documents include but are not limited to:-

Asset Disposal Policy - Portfolio Breakdown by Value - Pages 4/5

- Values updated.

Asset Disposal Policy - Approval Limits - Page 9

- Previously the approved delegated limit for Executive Director of Corporate resources and Customer Services was to a value of < £100,000 however this has now been amended to a value of < £20,000.

- Previously the approved delegated limit for Cabinet Member Regulatory, Compliance and Corporate Services was to a value of < £100,001 however this has now been amended to a value of £20,001 to £500,000

Asset Disposal Policy – Lease Surrender - Page 9

- **Bullet point added;** If a Lease surrender notification is received on a Council Owned asset then this is to be dealt with as set out in the constitution. Lease surrenders with a remaining term of up to 20 years in length with associated rental not exceeding £20,000 in total over the remaining term are delegated to the Executive Director/Section 151 Officer. Lease surrenders with a remaining term in excess of 20 years in length with associated rental not exceeding £500,000 in total over the remaining term are delegated to the Cabinet Member Regulatory Compliance and Corporate Services and the Executive Director/Section 151 Officer. Lease surrenders regardless of term with associated rental exceeding £500,001 over the remaining term is a decision by Cabinet.

The documents will continue to be updated annually with material changes being represented further.

Asset Management Strategy – Appendix 1

Separate Document

Asset Disposal Policy – Appendix 2

Separate Document

This page is intentionally left blank

Asset Management Strategy

Updated – 06/01/23

Next review due on 06/01/24

Agenda Item 4

Table of Contents

1. Introduction	2
2. Aims of the Strategy.....	2
3. Types of Assets	3
4. Approach to the Strategy.....	3
5. Governance.....	4
6. Key Challenges.....	4
7. Investment Priorities.....	7
8. Funding Options	8
9. Key Strategy & Policy Documents.....	8
10. Review.....	9
11. Summary.....	9

1. Introduction

This Strategy sets out the vision and aspirations for the effective management of the Council's corporate asset portfolio and the role it plays in supporting and shaping the Council's agenda for the 2030 vision.

Aside from its staff the Council's next biggest resource is its land and property therefore it is vital that this resource is managed and used effectively and efficiently to ensure that the Council derives maximum benefit from its assets in support of its strategic aims and priorities.

The continued pressure on Local Authority finances makes it more critical that the Council has a robust strategic approach to ensure the correct decisions are taken regarding its property asset base. In moving forward there will need to be an increased emphasis on challenging and justifying why assets are being retained, whilst looking at other alternative options for asset use and service delivery to maintain front line services within the stringent budgetary framework which Local Authorities are required to operate within.

The Asset Management Strategy (the Strategy) will provide a framework for the planning, prioritisation, management and funding of the Council's asset base.

The Plan supports and informs the Council's Medium-Term Financial Plan (MTFP).

2. Aims of the Strategy

The key aims of the Asset Management strategy are to;

- Enhance the opportunities for communities to access the Council's services in either our own or partner buildings;
- Maximise the use of space within buildings by enabling better and innovative ways of working;
- Ensure that buildings meet all Health and Safety requirements and other legislative standards;
- Provide a clear context within which the Council's property assets can be managed to ensure that all asset based investment is targeted towards meeting the Council's priorities and/or legislative requirements;
- Maximise the use of revenue resources by establishing effective arrangements for the management of Council assets and expenditure including focused benchmarking and performance analysis to achieve Value for Money (increase granularity of reporting down to m2 rate of assets to inform robust decisions);
- Establish a corporate approach to the management and release of capital from the Council's existing asset base.

3. Types of Assets

The use and management of the Authority's assets can play a fundamental role in delivery of corporate and local priorities, as well as shape and influence the quality of life and place for local people and businesses. The property asset base divides into two key categories;

- **Operational Properties** — Owned or leased buildings that are required to enable the delivery of services. These are typically the main administrative buildings, but also encompass specialised facilities such as Schools and Care homes.
- **Non-operational Properties** — Also known as the investment portfolio, these assets are held because they generate an income return or present an opportunity for capital gain through redevelopment. Traditionally, the portfolio was a legacy of previous and often longstanding land ownerships that have come together with the merger of the composite authorities that now make up Sefton Council and are not typical of most commercial investment portfolios that are a consequence of conscious decisions to invest and hold property as an investment asset. The portfolio includes properties subject to restrictive covenants.

There are a small number of assets where there is a cross over between both categories.

4. Approach to the Strategy

It is critical that the assets the Council retains are fit for purpose, provide value for money and meet/support both business and community needs. Decisions to invest and improve the asset base are made on the same robust and transparent basis.

The Council will adopt a formal Corporate Landlord Approach to drive a planned process to review and challenge the use and retention of assets, providing a transparent framework for investment and disinvestment decisions in the asset base.

The Council will also endeavour, through its programme of capital investment, to maintain its assets to a standard such that they remain fit for purpose, enabling continuity of service delivery to meet corporate priorities. In particular, it will carry out regular surveys of its stock of buildings and structures to ascertain their state of repair and any remedial works which may be necessary

In addition, the Plan will be influenced by the results of any service reviews which have been carried out by the Council, either as part of the budget preparation, one-off exercises or in support of the Sefton 2030 Vision. Where these reviews identify areas of service which are to be restructured or discontinued, this may give rise to surplus assets. Each asset in the potential list of disposals will have different characteristics and the approach to evaluating whether disposal remains the best option and then identifying the objectives to be achieved for each will vary. A full

appraisal will therefore be required with Member engagement to understand and agree what these objectives are that will in turn allow the Council to understand and then maximise its financial return. In addition to a potential capital receipt, other benefits will naturally be borne out of a disposal, one being a reduced revenue burden.

An ongoing review of the Council's accommodation provision will continually look at opportunities to rationalise occupation and release surplus accommodation from the Council's buildings.

This will include identifying opportunities for shared use of Council facilities to enable the efficient provision of key services as well as potential co-locations with other public and private sector partners via the 'One Public Estate' agenda.

The Council's approach to the retention of assets is based around the ability to clearly demonstrate that they;

- Support and meet the Corporate objectives of the Council;
- Contribute to the effective delivery of business provision (i.e. the condition and performance of the asset does not impede service delivery);
- Provide a strategic landholding in key locations in the borough;
- Provide value for money (in respect of their current or future investment, capital value, revenue generation and/or ability to influence regeneration).

Where assets do not satisfy the above criteria consideration will be given to the asset either being better utilised to free up accommodation elsewhere or disposed of.

The disposal process, including the rationale for using a particular method of disposal is set out in the Asset Disposal Policy.

5. Governance

The Council's governance arrangements are established and set out in the Council's Constitution and Financial Procedure Rules. Responsibility for the Asset Management Strategy rests with the Council.

6. Key Challenges

In developing a rolling plan, the Council will need to have a flexible approach to take account and accommodate a variety of factors and challenges which will impact on the future of the asset base. In summary these include: -

Agenda Item 4

National level

The ongoing pressures on Local Government funding will produce a year on year reduction in available revenue and traditional forms of grant funding. This has placed increased pressure on how the Council uses and manages its assets in support of service delivery.

In addition, there is the impact of key Legislation. *These include;*

- **The Localism Act 2011**
- **Disposal and Appropriation of School Land — Changes in Legislation (Education Act 2011 and new Schedule 1 to the Academies Act 2010)**

Corporate Level

Asset and Property Maximisation

The Council will consider the property/assets opportunities arising from all projects within its Transformation programme and its service planning. It will look to maximise opportunities to improve operational efficiency, reduce revenue costs and maximise the capital and income potential.

This will inform asset related decisions, and maximise capital receipt/revenue saving opportunities arising from;

- The reduction in the Council's size and consequential physical space requirements as a direct consequence of austerity and funding cuts;
- The reduction in physical space requirements as a result of service re-design;
- The reduction in space made possible by the adoption of 'new ways of working' with improved ICT systems and infrastructure; and
- The need to do something very different to maximize our assets.

Property is part of the infrastructure that helps to support the delivery of transformational change. It enables the organisation to provide a wider contribution to the overall aspirations of the Council's Regeneration ambitions.

Agile Working

Sefton has begun to adopt an agile working and place based working collaterally. It enables the Council to work more closely with customers and other public-sector partner organisations with the added benefit of maximising asset use within a reduced building footprint across the portfolio.

In the medium-term, and after significant engagement with partners, the opportunities to co-locate services will become essential in-order to create lean and efficient services for residents and businesses.

Property as Assets for Reform

Property and assets underpin the continual reform of public services. They are a catalyst for change and provide opportunities for cashable savings and efficiencies to be made.

The Council's built assets also enable development opportunities and help create jobs in the Borough, significantly contributing towards cultural change, reform and delivery of the "Local Plan" growth drivers.

In this context Sefton's longer term ambitions will be to sponsor and lead significant economic growth. As parcels of land are identified for investment by the private and third sector, this will provide either equity or capital to the Council in addition to improving the long term financial base given the business rates or Council tax potential.

Reducing the Level of Maintenance Backlog

The objective of the Strategy is that property assets should make a positive contribution either to direct service delivery or to other social and economic objectives of the Council.

In-order to ensure consistency when prioritising levels of expenditure to tackle backlog maintenance relating to individual assets, a prioritisation method has been established. This firstly ensures Health and Safety and wind/watertight requirements are met. The desire is to maintain Council operational property portfolio to a 'satisfactory' condition ensuring that limited funding is expended in buildings with the greatest need.

Condition Surveys are to be carried out on a 5-yearly cycle with interim monitoring/updates. The method adopted will assist in categorising individual assets as follows;

- A. Good – Performing well and operating efficiently.
- B. Satisfactory – Performing adequately but showing minor deterioration.
- C. Poor – Showing major defects and/or not operating adequately.
- D. Bad – Economic life expired and/or risk of failure.

The Council is to aspire to a 'B' rating and above. Assets either meeting or exceeding this level will be considered to meet the service delivery standard. These ratings will also help to inform options appraisals linked to the overall asset strategy.

A programme of condition surveys has identified significant backlog maintenance and future capital allocations will support the completion of the most pressing works.

Agenda Item 4

The Council will continue to fund essential backlog maintenance and day to day maintenance where it resolves a health and safety hazard or could remove an impediment to the delivery of front line services.

It should be noted that resources are in place in-order to ensure that all operational and non-operational buildings comply with Statutory requirements.

7. Investment Priorities

Ongoing Review and Maintenance

An ongoing review of both the operational and non-operational property portfolios will be undertaken to identify;

- The level of required maintenance (as assessed from the condition surveys);
- Including works needed in respect of Statutory requirements, for instance, accessibility, asbestos, Legionella, environmental sustainability, etc;
- Areas of proposed capital investment, including enhancement, replacement and shared use of facilities and provision of accommodation focused on the Council's core freehold buildings;
- Financial and opportunity savings realised through rationalisation and the level of anticipated receipts which could be relied upon (given the current and projected market conditions);
- the level of resources secured and/or potentially available to support future investment.
- Energy efficiencies through both day to day management and invest to save opportunities.

A financial lifecycle summary of the capital funding requirement between current and future asset needs will be produced and then updated on a periodic basis.

Asset Review

An Asset Review has commenced within the Council. This has initially focussed on 200 assets (2018) and a rolling review will continue each year. Assets will be evaluated and categorised in to one of the areas below;

- Inform the development and subsequent delivery of an Investment Strategy;
- Understand the commercial value of those assets in variable scenarios;
- Define options for future consideration which might be;
 - *Assets held for operational purposes*
 - *Assets held for heritage reasons or other designated reasons*
 - *Assets held to be developed or re-purposed*
 - *Asset to be disposed of to create a capital receipt*

A review of all income generating assets not currently within the existing 'property budget / investment portfolio' structure will be conducted to ensure all incomes are captured and recorded, potentially moving under the Strategic Investment approach for consideration.

Delivery of Key Strategic Priorities

Building upon the momentum generated in previous years in regenerating key areas within the Borough, the Council is committed to use its asset base to deliver its strategic priorities. As part of that process, it will seek to align funding opportunities to those initiatives, including the allocation of specific land sites and land receipts to support its transformation programme and service planning.

New Investment in Assets

In addition to the current asset portfolio, strategic acquisitions and development will also be considered where it aligns with the Council's core purpose.

In terms of new capital bids for investment in property assets (current or proposed acquisitions), these will be submitted in accordance with the Council's governance process.

8. Funding Options

If the Council is to continue to invest in its property asset base it will need to consider alternative and innovative solutions to supplement more traditional funding sources as part of its resourcing strategy. All appropriate options will be explored as part of the individual Business Case:

9. Key Strategy and Policy Documents

This Strategy acts as an overarching document that sets the framework in which the Council's key, property asset-based strategies, policies and procedures are developed, operated and reviewed.

The disposal process, including the rationale for using a particular method of disposal is set out in the Asset Disposal Policy.

10. Review

The Strategy will be reviewed annually, adapting to the review of the Council's strategic objectives, changes in policy, professional practice and changes in the economy and property markets. It does not need to be redrafted annually if the existing documentation remains current.

The Strategy will be read in conjunction with the Asset Management Delivery Plan. This will be an evolving document issued to Council Members through both informal and formal forums.

11. Summary

This Asset Management Strategy demonstrates and sets the framework which enables the Council to build a long-term asset management programme to ensure the efficient and effective use of assets to support the achievement of the Council's corporate priorities. This will help shape the future of Sefton and support the Communities within by aligning with the Council's core purpose as follows;

- **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to, we will intervene to help improve lives
- **Facilitate confident and resilient communities:** the Council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support
- **Commission, broker and provide core services:** the Council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can't be duplicated elsewhere or where we add value.
- **Place-leadership and influencer:** making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the Borough. This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough.
- **Drivers of change and reform:** the Council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough
- **Facilitate sustainable economic prosperity:** that is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail, leading to high purchasing power; and having enough money to invest in infrastructure.

- **Generate income for social reinvestment:** the Council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.
- **Cleaner and Greener:** the Council will work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, peoples wellbeing and the achievement of the 2030 Vision.

This page is intentionally left blank

Asset Disposal Policy

Updated – 06/01/23

Next review due on 06/01/24

Agenda Item 4

Table of Contents

1. Introduction	2
Purpose	2
Objectives.....	2
Community Right to Bid.....	3
Scope of this Document.....	3
Other Development Initiatives.....	3
Document Structure	4
2. The Council's Property Asset Base	4
Background.....	4
Definitions	5
More Information	5
3. Asset Disposal & Development Principles	5
Value for Money	5
Working with Local Plans.....	6
Supporting Economic Development and Regeneration	6
Promoting Development and Avoiding Residual Liabilities.....	6
Partner Selection.....	6
Community Led Approaches	7
Self-build	8
Disposal Process.....	8
Disposals for Less Than Best Consideration	9
4. Key Development Sites.....	10
Options for Use and Planning	10
Investment Prior to Disposal.....	11
Disposal Routes.....	11
Disposal Terms.....	11
Overage	12
Form of Contract	13
5. Other Land and Property Assets	13
Market Sale Assets.....	13
6. Disposal Programme	14
7. Policy Review.....	15

1. Introduction

Purpose

Access to a supply of development opportunities is a vital ingredient in successful economic growth. A key role for the Council is to work with Government, other public bodies, the private sector and the Voluntary sector to unlock and accelerate the release of surplus public land and assets for the creation of new homes and employment opportunities. As part of this agenda, we have been considering how we can best use the Council's own land holdings and property assets.

The Council's property assets can play a significant role in helping our communities achieve their ambitions, generate economic growth and realise a contribution to the Council's financial needs. To provide some clarity on the processes, this Policy sets out how we wish to take forward the identification and disposal of our surplus land and property assets.

The Government has set out its objective to achieve strong, sustainable and balanced economic growth. It has stressed the importance of land and housing supply and included a commitment to accelerate the release of public sector land to encourage new homes and jobs. Government Departments that hold land have been instructed to publish their release programmes and be held to account for delivery of new homes and jobs created as a result. The Council will seek to play its part and aims to lead by example including through the publication of this Disposal Policy.

This is Sefton Council's established formal Asset Disposal Policy which is an active publication that will be refreshed on an annual basis. It aims to:

- set out our broad objectives in relation to how we use our property assets;
- summarise the Council's property asset base;
- set out the principles we use when making disposal decisions; and
- identify a list of sites and other property assets that are available for disposal.

Objectives

Recognising that land and property is a key enabler to promote economic, housing and community activity in the Borough, the Council has three key objectives in relation to our property and landholdings:

- being transparent about our property assets and our disposal principles and selling them in a way that creates a level playing field for potential end users to access sites when they are brought to market;
 - not holding land or buildings longer than necessary – making sure they are disposed of to support local growth,
 - that they are transferred to end users as quickly as possible,
 - carrying out disposals on terms that promote development, economic activity and growth.

Agenda Item 4

- In disposing of assets, the Council will be guided by its obligation to secure value for money. Disposals are expected to be at market value predicated on the nature of the asset and any agreed mix of uses, however disposal at less than best consideration may be considered in exceptional circumstances in accordance with legislation
- We expect to use our land and property assets effectively and in particular, to support the delivery of a range of housing to meet local needs. Such opportunities will be determined on a case by case basis taking account of the nature and location of the site.

Community Right to Bid

Under the Localism Act 2011 the Council is one of the public bodies covered by the Community Right to Bid (CRTB) under which any properly defined and recognised organisation can ask the Council to list a specified land or property asset (in public or private ownership) as an Asset of Community Value. Should that asset then be sold on the open market there is the opportunity for the qualifying community group to bid for it within a prescribed timeframe and set of Regulations.

The Council currently maintains and publishes two lists; a list, scheduling assets that have been successfully nominated as Assets of Community Value and one showing unsuccessful nomination. Each request to nominate will be considered on its own merit in accordance with the Regulations established by the Act. We hope that the disposal principles and information about how we identify and dispose of assets contained within this document will help to provide context for any CRTB applicants relating to Council owned assets.

Scope of this Document

Although the Council has always worked in line with industry and professional best practice, this document formally documents the relevant process and practice. It is intended to monitor the effects of the Policy and procedures with a view to carrying out a periodic review which takes account of any material changes in law, best practice and significant changes in the property market.

This policy focuses on disposal to end users (those who would carry out the development or long-term management/ownership of the asset). This Policy does not consider how any capital receipts will be used as this area is governed by the Council's Capital Strategy.

Other Development Initiatives

It is clear that all public landowners have been asked to accelerate land release to support economic activity and housing growth. The Council is effectively seeking to accelerate its efforts to this end with the publication of this Policy and is also working with public and private sector partners to explore the synergies available from the combining of adjacent land sites to create viable development opportunities.

Document Structure

The remainder of this document is set out as follows:

- Information about Council’s landholdings;
- Core principles in disposal and development;
- Key development sites;
- Other land and assets – surplus operational assets and non-development assets; and
- Indicative schedule of sites available for disposal.

2. The Council’s Property Asset Base

Background

The Council’s property portfolio covers a wide range of assets and liabilities. The original reason for the Council (or its predecessors) to own the land will have arisen from; accumulation following the merger of the composite Authorities that now comprise the Council; because the Council (and its predecessors) were considered best placed to manage the risks associated with these buildings and landholdings; or to holistically plan and manage development opportunities, such as infrastructure and expansion of settlements to enable economic growth.

There is a concentration of assets in the main urban centres, but that aside there is no consistent pattern in terms of land distribution or type of site since the Council’s inherited land and asset holdings are a reflection of the history of the Council and its predecessor bodies. The main categories of assets and in some cases liabilities are:

- The Council’s operational property portfolio, including the Town Halls and other administrative buildings, Schools, Parks and Green Spaces and other specialist facilities;
- Various land and property interests across the Borough;
- The residue of the commercial ground rent portfolio (after disposal of the Industrial ground rents in 2007/2008);
- The residential ground rent portfolio (Including Chief Rents).
- The investment portfolio

The breakdown of the portfolio as at the time of the publication of the policy document is as follows;

- £284.903m - Other Land and Buildings

Agenda Item 4

- £13.936m – Surplus Assets
- £32.337m – Investment Properties

The portfolio is a dynamic entity and these values will change over time as assets are reclassified, acquired or more likely disposed of.

Definitions

In the remainder of this document, we define the asset and landholdings as follows:

- **Key Development Sites:** sites suitable for development and identified as being of strategic priority. These may have either a positive or negative value in isolation so consideration will be given to packaging to create viable proposals to bring forward development.
- **Market Sale Assets:** other assets with a positive value which are not expected to play a strategically important role going forward (this includes smaller land sites, surplus operational properties and elements of the non-operational portfolio including the residential ground and chief rents).

More Information

A list of the Council's property assets is published on the Transparency Section of the Council's website under Land and Property Assets.

3. Asset Disposal & Development Principles

This section of the Policy sets out the key principles the Council will use when considering disposals and development across all the categories of land referred to in the previous section. Their application needs to be considered on an asset by asset basis and will reflect local market conditions and any specific proposals for the use of the asset.

Value for Money

As a rule, the Council will seek to achieve a best consideration outcome given any agreed mix of uses. In exceptional or compelling circumstances, the Council may agree to dispose at less than best consideration however this is unlikely to occur when the proposed transaction is set in a purely commercial context.

Where the Council is one of a number of landowners participating in a development scheme, we will work with them where possible, including to optimise the mix of uses and to get the best deal for the public sector as a whole.

Working with Local Plans

The Council's approach to the maximisation of outcomes from the development and disposal of land will be determined by local Planning policies. Where sites have a planning allocation, we will work within that, unless it is agreed that a revised approach is appropriate. Where there is uncertainty, the Council will work with its partners to consider options for use taking account of wider policies and objectives and site viability.

Supporting Economic Development and Regeneration

The Council does not intend to hold assets longer than necessary. In considering the timing and nature of the disposal the Council will seek to ensure that its asset disposals complement the objectives for the economic development and regeneration of an area.

Factors that could influence the timing of disposal include:

- Strategic objectives for the area – for example if a major regeneration scheme is planned, the Council would not release its assets to market in advance of the wider scheme without appropriate contractual conditions;
- Local market and competing supply – the Council would not want to 'flood the market' if other land is already in the market and undeveloped; and
- Market appetite – where appropriate, the Council will carry out de-risking activities to improve the attractiveness of a site to potential purchasers and speed up its development once sold.

Promoting Development and Avoiding Residual Liabilities

In disposing of sites in areas where market conditions are difficult, the Council will consider a flexible approach that will incentivise development. We will do that on our own land and encourage our partners to do the same.

When disposing of sites, the Council will aim to achieve a clear, sustainable exit having secured the desired uses and achieved financial completion. The Council will seek to avoid residual liabilities. The principal circumstance where the Council would anticipate an ongoing role post development and financial completion is through longer term joint ventures or Local Asset Backed Vehicles.

Partner Selection

When disposing of developable land, the Council will seek to ensure that the purpose for which it is being developed meets the needs of the Council and the local community (using the planning system as the primary means to achieve this objective). The partner selection process should be transparent and identify the best placed organisation to develop the agreed use based on value for money and deliverability of proposals – both the construction phase and long-term management.

Agenda Item 4

Given the inherent variability of each asset, each disposal is unique and whilst we set out below some of the core principles influencing the choice of disposal route, the Council will consider each case on its merits.

Disposals can be progressed by two broad methods:

- Competitively – there is a general presumption that such competitive disposals will be openly advertised and can include tender and auction; and
- Non-competitively – sales by private treaty or negotiated disposals.

The guidance for Local Government bodies is that a competitive process should be the norm and that disposal by private treaty is the exception. To go down the negotiated disposal route there is a requirement to demonstrate that a non-competitive disposal will result in a better overall outcome for the public sector. This could include compelling practical reasons relating to the nature of the site and/or the identified party's status as a special or unique purchaser capable of extracting the full development potential (in terms of value, quality or outputs as appropriate).

There are two options in respect of competitive disposals:

- Single Stage Disposal - For simple sales or sales requiring a quick process then a single stage process is possible with interested parties
- Multi Stage Disposal – For larger, more complex propositions, the alternative is to adopt a multi-stage process with the first stage being a quick and efficient process to enable short-listing of the interested parties.

The Council will continue to adopt a case by case assessment relating to whether disposal opportunities have characteristics which raise the potential for the opportunity to be considered as a Procurement of Works. This technical assessment in conjunction with the view of local stakeholders and consideration of challenge risk will inform the case by case assessment. The incorporation of the EU Procurement Directive into English Law establishes that property transactions are outside the scope of the Regulations however this position becomes less clear when a simple sale is not adopted and where there is potential for the disposal objective to fall within the Works and Services requirements.

Community Led Approaches

The Council is committed to ensuring a level playing field in its partner selection, including community-led approaches. A community-led approach could compete on an even footing in a competitive market, either operating on its own or through partnership with a more experienced developer, Registered Provider or other private or public-sector partner. There is no defined set of circumstances in which a community-led approach should or should not work however there are some factors which are particularly beneficial to the success of the model:

- Local member support and / or a positive relationship between the group and the local Ward Members;
- A lead VCF organisation or other public body with time and resource to commit to enabling the community to come together and deliver the scheme;
- A shared commitment to a community led approach from all partners involved in the project;
- Availability of external expertise with experience in the sector;
- Strong and coherent community groups with a clear shared vision; and
- A Business Plan that clearly sets out a financially sustainable approach to the long-term management of the asset.

Self-build

Where Council owned plots have been identified as suitable for self-build, the approach to disposal will depend on the nature of the site. Individual plots may be sold directly to market, e.g. Auction or through local advertisement. Small sites may be sold to organisations that can help facilitate bringing forward self-build schemes for self-builders or groups of self-builders. These plots are likely to be single infill plots, or small sites that can accommodate a small number of plots, rather than allocations within larger sites. The Council will explore any statutory obligation to secure self-build plots within larger third-party developments.

The Council has established a 'register of interest' for people who may seek a self-build or custom build solution. The Council may need to consider introducing a further Policy to decide whether to sell sites/plots by way of an open market disposal for best price, or whether it may wish to prioritise which households may be given first/priority refusal for sites/plots.

Disposal Process

The main stages in the disposal process are as follows;

- Operational property closed, declared surplus to operational requirements and available for disposal by relevant Cabinet Member
- Non-operational property declared available for disposal by Cabinet Member Regulatory, Compliance and Corporate Services.
- Pre-disposal actions and activity (planning briefs or outline planning consent, disposal terms, method of disposal, etc) agreed by relevant Officers and implemented.
- The disposal will usually be handled by the Council's property team unless it is of a specialist nature that requires external expertise or resource
- In the case of open market disposals, the asset will be fully marketed using the Internet and more traditional advertising methods.
- The disposal process will take into account any moratorium periods under Community Right to Bid

Agenda Item 4

- All offers will be considered for compliance with tender conditions and undergo a value for money assessment, initially by the relevant Council officials, before being reported as follows
 - Value: < £20,000 – Decision delegated to Executive Director of Corporate Resources and Customer Services
 - Value: £20,001 to £500,000 – Decision made by Cabinet Member Regulatory, Compliance and Corporate Services
 - Value: > £500,001 – Decision made by Cabinet.
- If a disposal is made by way of a Lease rather than freehold transfer then authority for the grant of such Leases shall be dealt with as set out in the Constitution. Leases for a term of up to 20 years are delegated to the Executive Director/Section 151 Officer. Leases over 20 years in length are delegated to the Cabinet Member Regulatory Compliance and Corporate Services and the Executive Director/Section 151 Officer.
- If a Lease surrender notification is received on a Council Owned asset then this is to be dealt with as set out in the constitution. Lease surrenders with a remaining term of up to 20 years in length with associated rental not exceeding £20,000 in total over the remaining term are delegated to the Executive Director/Section 151 Officer. Lease surrenders with a remaining term in excess of 20 years in length with associated rental not exceeding £500,000 in total over the remaining term are delegated to the Cabinet Member Regulatory Compliance and Corporate Services and the Executive Director/Section 151 Officer. Lease surrenders regardless of term with associated rental exceeding £500,001 over the remaining term is a decision by Cabinet.
- After publication of the decision and progression through the call-in process (if instigated) the decision will be implemented, and the Chief Legal and Democratic Officer instructed to deal with the requisite legal documentation and Conveyance/Lease.
- Progress of disposal activity monitored by the Cabinet Member Regulatory, Compliance and Corporate Services

Disposals for Less Than Best Consideration

Local Authorities were given power under Section 123 of the Local Government Act 1972 (as amended) to dispose of land in any manner they wished, the only constraint being that, except in the case of Leases for less than seven years, the sale had to be for the best consideration reasonably obtainable. Any other disposal at less than best consideration requires the approval of the Secretary of State.

Section 123 applies to land held for most Local Authority functions, but notable exceptions are disposals of land held for housing purposes within the HRA or otherwise let on secure tenancies (governed by the Housing Acts), and for Planning purposes (governed by Planning legislation). Until recently the 1998 General Disposal Consents enabled disposals at an undervalue in certain limited circumstances, e.g. disposals to a named charity.

It is Government policy that Local Authorities should dispose of surplus land wherever possible. Generally, it is expected that land should be sold for the best consideration reasonably obtainable. However, the Government recognises that there may be circumstances where an Authority considers it appropriate to dispose of land at an undervalue. However, when disposing of land at an undervalue, Authorities must remain aware of the need to fulfil

their fiduciary duty in a way which is accountable to local people. Other specific consents/processes may be required for disposal of land held for particular purposes (e.g. charitable land, schools, allotment land or open spaces).

The General Disposal Consent (England) 2003 provides a general consent removing the requirement for Local Authorities to seek specific approval from the Secretary of State for a wide range of disposals at less than best consideration. Authorities are granted consent in circumstances where the undervalue does not exceed £2 million and where the disposing Authority considers the disposal is likely to contribute to the achievement of the promotion or improvement of the economic, social or environmental well-being of the whole or any part of its area or all or any persons resident or present in its area. It will be for the Council to decide whether any particular disposal meets these criteria or continues to require specific consent under the 1972 Act.

All disposals need to comply with the UK's Subsidy Control Rules. When disposing of land at less than best consideration, Authorities are providing a subsidy to the owner, developer and/or occupier of the land. Where this occurs, Authorities must ensure that the nature and amount of the subsidy complies with the UK's Subsidy Control Rules. Failure to do so would render the aid unlawful.

In Sefton, sales of land or property at an undervalue have only taken place on an exceptional basis and it is not envisaged that this approach will alter.

4. Key Development Sites

Options for Use and Planning

Key sites will be identified through a periodic asset review. Thereafter, the Council may choose to agree a Planning Brief with the Planning Service or in some circumstances seeking an outline consent if that process would resolve significant uncertainty about the use. Having achieved sufficient certainty, the Council would seek to dispose of the site and transfer the majority of the planning process to the developer, to allow them to bring their scheme through the local Planning process.

Where assets are not yet allocated the Council will work with the Planning Service through the statutory Planning process so that appropriate sites can be brought forward in due course with suitable infrastructure. The Council's Planning policies will set out the requirements for sustainability and other elements of design and build quality on each site. If the Planning Department propose specific standards which relate solely to the Council's land holdings, we would seek further discussions around project viability.

Sites will predominantly be disposed of on a best consideration basis unless the provision of affordable housing has been prioritised in excess of the proportion required by current Planning policies, subject to viability.

The Council will normally dispose of sites via open market means and invite bids, however the Council is not bound to accept the highest financial bid. It may decide to accept a lower financial bid from a Registered Provider or equivalent, where they would seek to use a site to provide affordable housing, and the Council deems that the requirement for affordable housing outweighs the financial offer. Likewise, the Council may limit the disposal of a site to offers from Registered Providers or equivalent only, where the Council is pro-actively seeking to secure the

Agenda Item 4

provision of affordable housing, or specialist housing to meet specific needs. Development briefs will be used to set out Council's specific requirements.

Investment Prior to Disposal

The Council may invest to de-risk the site prior to disposal. As a principle, the Council proposes to undertake the minimum necessary pre-disposal work. Often for key development sites there will be some complexity relating to planning, title, site conditions or environmental status. As many as possible of the investigations relating to such matters should be transferred to the purchaser however when the return on investment can be demonstrated and the site de-risked further work will be carried out.

In order to promote development and reflect market risk, larger sites may need to be sub-divided into manageable development parcels and disposed in phases. If some primary infrastructure is required to achieve that division into phases, the Council will need to consider how it can be funded, given Local Government expenditure constraints. Wherever possible, the Council will look to development partners to provide this infrastructure and use land value and adaptable payment terms to support this, (e.g. an Open Book approach with the provision of infrastructure reflected in the land value paid).

The Council will consider undertaking infrastructure works which would help bring forward self-build schemes and sites. The ability of the Council will be dependent on availability of funding to carry out such work.

Disposal Routes

Key development sites will generally be disposed of through a multi-stage disposal or in line with UK's Contract Notice under the Public Contract Regulations 2015 (as amended). We will generally dispose of strategic land on a single site basis. Smaller development sites may be best disposed of as a package of more than one site. In some cases, the best value for money route may be through a joint venture or Local Asset Backed Vehicle.

Joint ventures would normally be considered in the case of substantial or complex sites (with an expected construction phase of over four years) and an Options Appraisal would be carried out prior to selecting the preferred route. If local partners have developed or are developing a joint venture vehicle, the case for linking to or investing the Council's assets in that vehicle would be considered on a case by case basis and be subject to State Aid and tax considerations.

The Council may also develop its own internal mechanisms to develop housing on land in its ownership through its Housing Development Company. In this case the Council may choose not to expose the site to the market.

Disposal Terms

The terms of disposal will be considered on a case by case basis and reflect the development economics of a particular site and the risks associated with its development. In deciding which of the following broad sets of terms to use, the Council will seek to maximise the rate of development on a site (given the local market) whilst ensuring value for money. The decision on terms will focus on the optimal risk transfer to balance those objectives.

In some situations, the terms will be set before the disposal process starts, in other cases the disposal process will be used to test different terms to assess which offers the best value for money for that site. For smaller, self-contained sites where infrastructure costs are low and / or sites where demand is strong, an upfront payment may be appropriate as the sole basis of going to market.

For other sites, we would typically ask bidders to respond on one or more of three principal bases:

- upfront payment with overage clauses included;
- payment on milestones, for example at agreement of building lease, start on site, completion of phase (with overage), subject to a longstop date; and
- percentage share of sales values as units are sold, subject to a longstop date with a specified payment sum at that date.

Generally we would look to dispose of sites or phases at a scale where the repayment period would be up to five years, but an extended period would be considered if the specific circumstances direct that the extended time period would deliver a better outcome for the Council. Where payment is in the form of a percentage of receipts (the third option above), the longstop date should be within a five-year period, but with the ability to extend if circumstances dictate.

Bids will be compared on consistent basis which may include a discounted cash flow analysis.

When the Council disposes of its own land for residential development purposes, it will include provisions that require developers to sell houses on a freehold basis. This provision will still apply if the developer subsequently disposes of the land to another company.

For Council assets the Council expects a purchaser/developer to use the in house Building Control section for any Building Regulation applications and Approvals.

Overage

Overage is usually defined as a method to capture, “an element of improved development value where there is a general uplift in the market or where the market value of the end development is not known at the time.” The Council will seek to use overage alongside the base payment to capture value increases that were unexpected or uncertain at the time of disposal. This includes the situation where the market value at the end of the development exceeds that anticipated at the time of the disposal which may be as a result of increased house prices, and/or improved house numbers from a subsequent planning permission, amongst other things. Overage will be applied to all sites with an expected value in excess of £0.25m and other sites where it is considered appropriate (e.g. large, low value sites in an uncertain market or sites where a change in planning is possible).

Contracts will also include provision for claw back, including in the circumstances where the scheme is in material breach and forfeiture provisions are triggered requiring the claw back of the undeveloped land.

Form of Contract

In most circumstances where development outputs are expected, the Council's preferred disposal approach will be by way of Building Lease (or Licence). They will provide the Council with the ongoing legal interest in the land through to development completion thereby providing adequate protection in respect of any imposed conditions or any deferred payment arrangements.

Building Leases provide the following benefits;

- Building Leases are registrable legal interests and as such are preferred by the funders of developers. They are capable of being charged thus providing security to the funding process.
- Building Leases also afford funders adequate step in rights should a developer default.
- The Council will seek to adopt a fairly standardised format which will provide a consistency of approach to the market and should ensure disposal and transactional costs are kept to a minimum.
- The freehold may transfer to the developer or end purchasers after development completion/financial close, e.g. to a purchaser of an individual plot from a developer on completion of the sale.

The Council may also use a reversion clause in isolation or in conjunction with other control mechanisms to ensure that a preferred scheme is delivered.

5. Other Land and Property Assets

Market Sale Assets

Market sale assets are those which have not been identified as making a strategic contribution to the Council's business and social objectives. These assets will generally be much smaller or less valuable than the strategic sites and / or their end use may already be clearly defined (e.g. agricultural land with little chance of achieving planning permission for development to enhance value).

The nature of these assets and the Council's requirement to reduce its financial commitment to the asset base means that we will move to disengage from these sites in as straightforward a manner as possible.

The Council will continue to engage positively to requests from existing tenants wishing to acquire the freehold of their property particularly where the transfer will support further investment and job creation. The principal considerations are as follows;

- For market sale assets a Development Brief would not usually be required. Subject to case by case consideration, the transaction is more likely to be a straight disposal than procurement.

- Freehold transfer would normally be used with the purchaser expected to invest or build out in accordance with Planning and Building Regulations approvals. Market sale assets will usually be disposed of using an upfront payment at freehold transfer.
- The Council will not hold these market sale assets longer than necessary. The prioritisation of selection of assets for disposal will be influenced by holding costs and income generated. The Council will seek to disengage early from assets with highest holding costs but may need to consider the timing of disposal of certain assets if their receipt or income is needed to balance the costs of other sites.
- Claw back provisions may be included for change of use from a prescribed purpose.
- For surplus parts of highways, grass verges, etc, we would generally seek to dispose on a freehold basis with a claw back condition in case of change of use. Disposal to private owners of adjacent properties may be considered if there is a clear indication that the transfer will not be contentious in the locality and they are the only purchaser. Relevant Cabinet Members are to be briefed on these disposals and in agreement along with the consultation of Ward Councillors.
- For open space, there may be a range of potential recipients including the local Registered Provider and / or an associated community and not for profit organisations. In such cases, the Council would seek to transfer the land to such a body (preferably in perpetuity) with a clear specification of the level of ongoing management required, which will be tested for value for money and affordability. Such disposal would have due consideration to the relevant procurement rules and legislative requirements such as advertisement of Public Open Space Notices

Such Transfers will have the benefit to the Council of reducing holding and management costs as well as ensuring that assets are managed sustainably in the future.

6. Disposal Programme

The Council will publish a list of the sites that it expects to bring forward for disposal over a rolling period. These will be subject to review and due diligence and in practice it is likely that there will be additions and substitutions, but the purpose of publishing this information is to provide a transparent approach concerning potential disposals.

It will include a number of sites where disposal is being pursued on the basis of a review of Council assets based on the following criteria:

- Identification of strategic holdings;
- Development synergies;
- Demand from tenants or third-party interests;
- Reduction of holding costs

The listed sites are expected to be disposed over the relevant timeframe in accordance with the principles set out in this document with the aim of the realisation of capital receipts.

Agenda Item 4

As set out in this document, sites will be disposed of or developers procured as appropriate. Opportunities will be advertised in due course as individual assets and sites are put forward in line with the agreed disposal programme.

Residential Ground Rents and Chief Rents Portfolio

The Council has a significant ground rent and chief rent portfolio arising from its freehold ownership of a number of residential properties throughout the Borough let on a leasehold basis, the majority of which are reserved on 999 years Leases, with a small number of 99 years Leases. Whilst currently the Council disposes of its' freehold reversionary interests and/or chief rents following receipt of a letter or e-mail from a residential occupier, moving forward, the Council intends on taking a proactive approach by writing out to said occupiers giving them the opportunity to purchase the freehold of the property in which they reside.

The Council has an obligation to obtain best consideration for its assets under Section 123 of the Local Government Act 1972 so therefore the above approach will be in line with this.

7. Policy Review

This policy will be reviewed on a periodic basis to ensure that it takes account of any changes in professional and industry best practice and provides the Council with a fit for purpose means to review and rationalise the property asset base.

Agenda Item 5

Report to:	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services) Cabinet Council	Date of Meeting:	7 February 2023 9 February 2023 2 March 2023
Subject:	Prudential Indicators 2023/24		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	All Wards
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

The CIPFA Prudential Code for Capital Finance in Local Authorities was introduced following the Local Government Act 2003. It details a number of measures / limits / parameters (Prudential Indicators) that are required to be set each financial year. The approval of these limits will provide a benchmark to measure actual performance against, to help ensure that the Council complies with relevant legislation, is acting prudently and that its capital expenditure proposals are affordable.

Recommendation(s):

Overview & Scrutiny Committee is requested to:

- 1) Consider the Prudential Indicators (as detailed in the report) as the basis for compliance with The Prudential Code for Capital Finance in Local Authorities;
- 2) Note that the relevant Prudential Indicators will be revised as required and that any changes will be brought to Cabinet and then to Council for approval;
- 3) Note that the estimates of capital expenditure may change as grant allocations are received; and
- 4) Provide any comments to Council which will be considered as part of the formal approval of the Prudential Indicators for 2023/24.

Cabinet is recommended to:

- 1) Recommend to Council that the Prudential Indicators (as detailed in the report)

Agenda Item 5

are set as the basis for compliance with The Prudential Code for Capital Finance in Local Authorities;

- 2) Note that the relevant Prudential Indicators will be revised as required and that any changes will be reported to Cabinet and then to Council for approval;
- 3) Note that the estimates of capital expenditure may change as grant allocations are received; and
- 4) Recommend to Council that authority is delegated to the Executive Director of Corporate Resources and Customer Services in conjunction with the Cabinet Member – Regulatory, Compliance and Corporate Services to manage the Authorised Limit and Operational Boundary for external debt as detailed in Section 6 of the report.

Council is recommended to:

- 1) Approve the Prudential Indicators (as detailed in the report) as the basis for compliance with The Prudential Code for Capital Finance in Local Authorities;
- 2) Note that relevant Prudential Indicators will be revised as required and that any changes will be brought to Cabinet and then to Council for approval;
- 3) Note that the estimates of capital expenditure may change as grant allocations are received; and
- 4) Delegate authority to the Executive Director of Corporate Resources and Customer Services in conjunction with the Cabinet Member – Regulatory, Compliance and Corporate Services to manage the Authorised Limit and Operational Boundary for external debt as detailed in Section 6 of the report.

Reasons for the Recommendation(s):

To enable the Council to effectively manage its Capital Financing activities and comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. The prudential indicators for the forthcoming and following years must be set before the beginning of the forthcoming year.

Alternative Options Considered and Rejected:

None

What will it cost and how will it be financed?

(A) Revenue Costs

n/a

(B) Capital Costs

n/a

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

The prudential indicators will allow for capital spending obligations to be managed within the budget for 2023/24.

Legal Implications: None.

Equality Implications: None.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N
The setting of the Prudential Indicators will have no direct impact on the Council's Climate Emergency.	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: n/a
Facilitate confident and resilient communities: n/a
Commission, broker and provide core services: n/a
Place – leadership and influencer: Support strategic planning and promote innovative, affordable and sustainable capital investment projects through application of the CIPFA Prudential Code.
Drivers of change and reform: n/a
Facilitate sustainable economic prosperity: Support Capital Investment by measuring the impact and affordability of decisions over the medium-term financial planning horizon.
Greater income for social investment: n/a
Cleaner Greener: n/a

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7099/23) is the author of the report. The Chief Legal and Democratic Officer (LD5299/23) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

None.

Implementation Date for the Decision

With immediate effect following the Council meeting.

Contact Officer:	Graham Hussey
Telephone Number:	0151 934 4100
Email Address:	Graham.Hussey@sefton.gov.uk

Agenda Item 5

Appendices:

Appendix A – Summary of Prudential Indicators.

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code) was introduced following the Local Government Act 2003. It details a number of measures/limits/parameters (Prudential Indicators) that are required to be set each financial year. The approval of these limits will ensure that the Council complies with the relevant legislation, is acting prudently and that its capital expenditure proposals are affordable.
- 1.2. CIPFA published its revised Code of Practice on Treasury Management and a revised Prudential Code for Capital Finance in Local Authorities in December 2021, replacing the codes published in 2017. The key changes in the two codes relevant to setting the prudential indicators are:
 - The introduction of a new prudential indicator: Net Income from Commercial and Service Investments to Net Revenue Stream
 - The removal of investment income from the calculation of Financing Costs to Net Revenue Stream
 - The recommendation of a treasury management indicator for managing interest rate risk.
- 1.3. The new codes took effect immediately, except that authorities could defer introducing revised reporting requirements until 2023/24. The Council has adopted CIPFA's 2021 Prudential Code for Capital Finance in Local Authorities when setting the Prudential Indicators for 2023/24 to 2025/26.
- 1.4. The Council is required to approve Prudential Indicators for the following items:
 - (i) Capital Expenditure (Section 2);
 - (ii) Financing Costs/Net Revenue Stream (Section 3);
 - (iii) Net Income from Commercial and Service Investments to Net Revenue Stream (Section 4)
 - (iv) Capital Financing Requirement (Section 5);
 - (v) External Debt (Section 6-9);
 - (vi) Treasury Management Indicators (Section 10).
- 1.5. The above indicators are presented in the following paragraphs and summarised at Appendix A.

2. Prudential Indicator – Capital Expenditure

- 2.1. This indicator details the overall total planned capital expenditure of the Council and therefore reflects the Council's Capital Programme.
- 2.2. The actual capital expenditure that was incurred in 2021/22 is shown below and the estimated current and future years capital programme are recommended for approval:

Agenda Item 5

Capital Expenditure					
	2021/22 £m Actual	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
TOTAL	32.536	50.136	76.543	65.185	33.342

- 2.3. The estimated levels of expenditure above represent those elements approved by Council and which have been included within the Capital Programme. The Council may also receive additional block allocations of grant from central government and the City Region for 2023/24 but these have not yet been confirmed. The grant allocations will be added to the capital programme following approval by Cabinet and Council. The estimated amounts to be received that have been included in the estimates of capital expenditure (above) are shown below for information:
- Disabled Facilities Grant - £4.823m
 - Schools Condition Allocation - £2.426m
 - Devolved Formula Capital Grant - £0.363m
 - City Region Sustainable Transport Settlement - £8.154m.
- 2.4. The increase in capital expenditure from 2022/23 to 2024/25 shown in the table above represent additional allocations added as part of the traditional capital programme and new schemes included in the Council's Strategic Investment Programme including the Southport Town Deal. Due to the size and complexity of the Council's capital programme, some schemes may also be rescheduled from previous years and thus increase the overall estimate of expenditure. The majority of the additional expenditure will be funded from external grants, contributions and capital receipts. This may change as grant allocations and additional capital schemes are made known to the Council and are approved for inclusion within the Capital Programme.
- 2.5. Southport is set to receive £37.5m in government funding for a range of projects across the town centre and sea front following a successful bid to the Government's Towns Fund. The award represents one of the largest Town Deals that the government has agreed nationally and across 101 towns.
- 2.6. The business cases for each of the projects have now been approved by the Department for Levelling Up, Housing and Communities (DLUHC) – for the £37.5m Town Deal funding – and by the Liverpool City Region Combined Authority who are providing an additional £20m towards the Marine Lake Events Centre development. Procurement activity in relation to the projects has commenced and they are moving towards the delivery phase with delivery of all projects currently anticipated by 2025/26. Estimates of capital expenditure for the Town Deal projects have been included in the total estimates of capital expenditure shown above.

3. Prudential Indicator – Financing Costs/Net Revenue Stream

- 3.1. 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.

- 3.2. Actual figures for 2021/22 and estimates of the ratio for 2022/23 and future years are:

Financing Costs / Net Revenue Stream					
	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	5.9%	6.1%	5.7%	5.9%	5.8%

- 3.3. The estimates of financing costs include current commitments and proposals contained in the capital programme and new borrowing requirements in the Capital Programme. These borrowing requirements include projects and schemes that generate savings and income streams to the Council that support repayment schedules.
- 3.4. It should be noted that investment income is no longer offset to financing costs for the purposes of calculating this ratio, causing a rise in the ratio compared to previous years' prudential indicators, due to the revised reporting requirements under the 2021 Prudential Code. This is purely a reporting change however, and the Council's financing costs have not increased materially from those experienced in previous years due to the policy of internal borrowing and utilising cash balances as opposed to taking out new loans to finance the capital programme.

4. Prudential Indicator – Net Income from Commercial and Service Investments to Net Revenue Stream

- 4.1. This indicator measures the proportion of the authority's net revenue stream that is derived from non-treasury investments such as service investments (loans to subsidiaries) and commercial investments (investment properties). Commercial investments relate to legacy arrangements such as concessions at Southport seafront, parks and gardens; the freehold interest in the Strand Shopping Centre; rents linked to small retail units; industrial units; clubs; and car park income. The indicator is a measure of the exposure to loss of income should the net return from those investments fall short of the target set in the budget.

Net Income from Commercial and Service Investments to Net Revenue Stream					
	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	1.1%	1.1%	1.0%	1.0%	1.3%

Agenda Item 5

- 4.2. 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. Variations to planned levels of income are also 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.

5. Prudential Indicator – Capital Finance Requirement

- 5.1. The Capital Financing Requirement (CFR) indicator reflects the Authority's underlying need to borrow for a capital purpose. This is based on historic capital financing decisions and a calculation of future years planned capital expenditure requirements.
- 5.2. Actual 2021/22 and estimated year-end Capital Financing Requirements for current and future years are set out in the table below:

Capital Financing Requirement					
	31/03/22 £m Actual	31/03/23 £m Estimate	31/03/24 £m Estimate	31/03/25 £m Estimate	31/03/26 £m Estimate
CFR	233.130	232.864	236.071	237.969	245.453

6. Prudential Indicator – Borrowing Limits

- 6.1. External borrowing undertaken by the Council arises as a consequence of all the financial transactions of the Authority, both capital and revenue, and not simply those arising from capital spending. The Council manages its Treasury Management position in terms of its external borrowings and investments in accordance with its approved Treasury Management Strategy and Policy Statements. These documents are presented for approval elsewhere on this agenda.
- 6.2. The Operational Boundary
- 6.2.1. The Operational Boundary sets a limit on the total amount of long-term borrowing that the Council can undertake. It reflects the Authority's current commitments, existing capital expenditure plans, and is consistent with approved Treasury Management Policy Statement and practices. The figures are based on prudent estimates.
- 6.2.2. In respect of the Operational Boundary, it is recommended that the Council approves the following limits for the next three financial years. These limits separately identify borrowing from other long-term liabilities arising from finance leases, the PFI scheme and the transferred debt from the now defunct Merseyside Residuary Body.

Operational Boundary				
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	157	160	169	182
Other Long-Term Liabilities	6	5	4	3
TOTAL	163	165	173	185

6.2.3. The Council is asked to approve these limits and to delegate authority to the Executive Director of Corporate Resources and Customer Services in conjunction with the Cabinet Member – Regulatory, Compliance and Corporate Services to manage the movement between the separately agreed limits for borrowing and other long-term liabilities within the total limit for any individual year.

6.3. The Authorised Limit

6.3.1. The Authorised Limit sets a boundary on the amount of borrowing (both short and long-term) that the Council undertakes. It uses the Operational Boundary as its base but also includes additional headroom to allow, for example, for exceptional cash movements. Under the terms of section 3 (1) of the Local Government Act 2003, the Council is legally obliged to determine and review how much it can afford to borrow i.e., the Authorised Limit. The Authorised Limit determined for 2022/23 will be the statutory limit determined under section 3 (1).

6.3.2. The Council is asked to delegate authority to the Executive Director of Corporate Resources and Customer Services in conjunction with the Cabinet Member – Regulatory, Compliance and Corporate Services to manage the movement between the separately agreed limits for borrowing and other long-term liabilities within the total limit for any individual year. Any such changes will be presented to Cabinet and Council for approval at the next available meeting. The Authorised Limit for external debt is as follows:

Authorised Limit				
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	182	185	194	207
Other Long Term Liabilities	6	5	4	3
TOTAL	188	190	198	210

7. Prudential Indicator – Actual External Debt

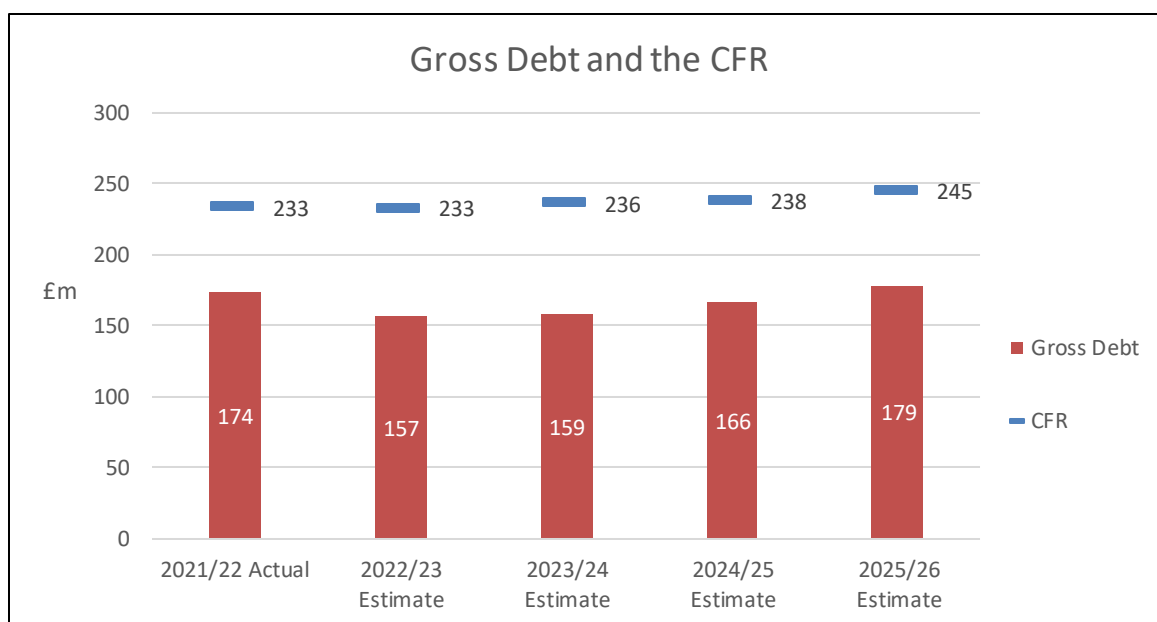
7.1. The Prudential Code requires that in setting indicators for 2023/24, the Council reports its actual levels of external debt as at 31st March 2022. The Council's actual external debt at 31st March 2022 was:

Agenda Item 5

	31/03/2022
	£m
Borrowing	167.205
Other Long Term Liabilities	6.481
TOTAL	173.686

8. Gross Debt and the Capital Financing Requirement (CFR)

- 8.1. This prudential indicator is used to ensure that the authority does not borrow in advance of need. If the authority borrowed in advance of need then the net position would be negative – i.e. borrowing greater than the CFR.
- 8.2. The chart below illustrates that the Council is not intending to borrow in advance of need, and that there is a significant level of “under borrowing”.



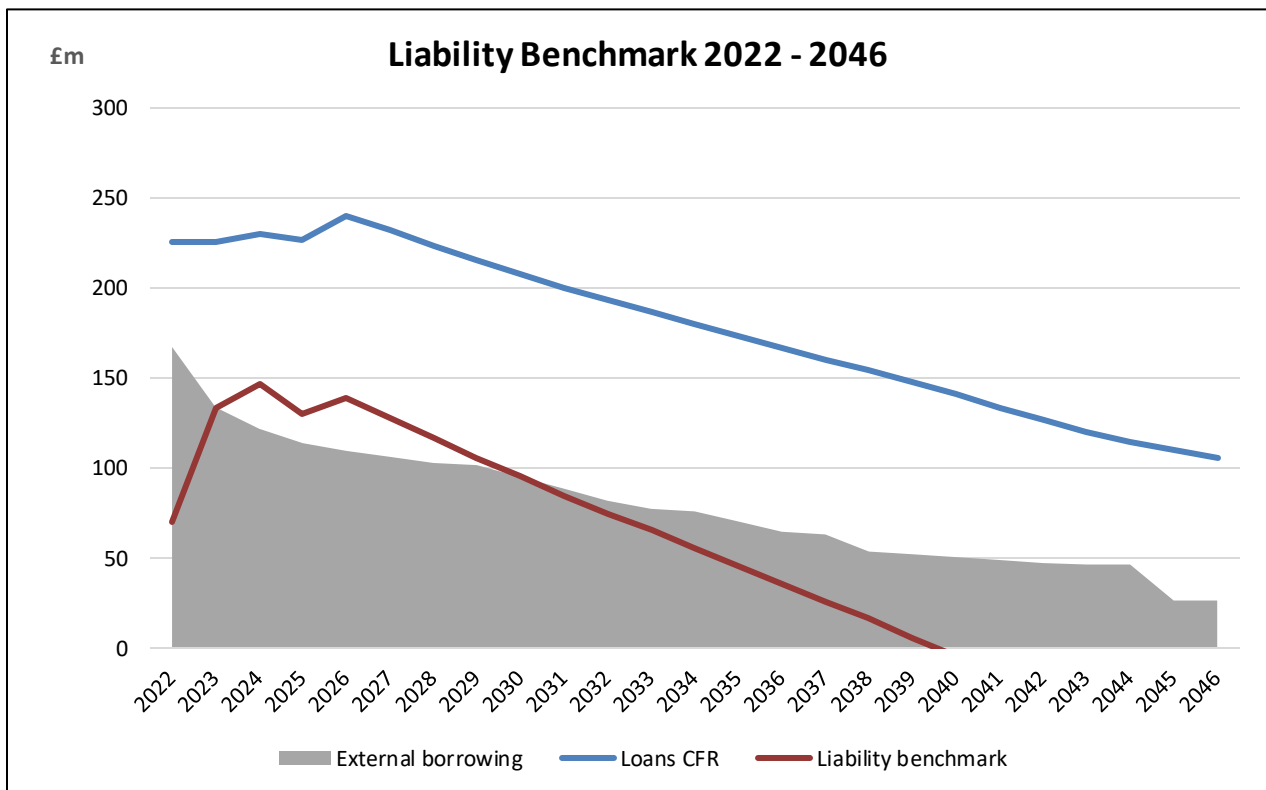
- 8.3. The higher level of gross debt shown during 2021/22 represents an upfront payment to Merseyside Pension Fund funded by borrowing. This has generated a significant saving to the Council whilst still maintaining the under borrowing position.
- 8.4. The estimates of gross debt for 2022/23 to 2025/26 include replacement borrowing for maturing loans and borrowing for schemes previously approved by Council for inclusion in the Capital Programme. The higher amount shown in 2025/26 represents approved borrowing as part of the Southport Town Deal – Marine Lake Events Centre project as outlined in paragraph 2.6.

9. Liability Benchmark

- 9.1. The chart below shows the liability benchmark that has been calculated for 2022 and future years. The following explanations are provided to assist with understanding the chart:

Agenda Item 5

- i. Grey shaded area – represents the Council’s current fixed term loans for 2022 and future years. The amounts shown do not include any new borrowing for schemes included in the capital programme or replacement borrowing for maturing loans, hence the line reduces over time as existing loans are paid off.
- ii. Solid blue line – an estimate of Loans Capital Financing Requirement (the CFR less any other long-term debt liabilities), this being the required level to fund the capital programme.
- iii. Solid red line – a forecast of the year end liability benchmark representing the lowest amount of borrowing that should be undertaken to maintain the Council’s liquidity and minimise credit risk.



- 9.2. Where the liability benchmark exceeds the amount of fixed term loans then this indicates a borrowing requirement for the local authority. As can be seen above, Sefton has a borrowing requirement from 2024 to 2029. This borrowing requirement arises as historic loans are paid off and the level of forecast reserves and balances diminishes over time.
- 9.3. It is anticipated that the above borrowing requirement is manageable within the current borrowing strategy. As mentioned in paragraph 8.2 (above), the Council is significantly under-borrowed and may reverse this position at any time by borrowing from the PWLB. Replacement loans from the PWLB may, despite recent rises in borrowing rates, be taken at lower rates than historic loans that were taken out when rates were higher and therefore interest payments on these loans will be lower.

Agenda Item 5

10. Prudential Indicators – Treasury Management

10.1. The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The annual Policy and Strategy Documents establish the following debt maturity profiles, an upper limit for long term investments made by the Council, and an Interest Rate Risk Indicator:

10.2. Debt Maturity Profile

10.2.1. A debt maturity profile is detailed in the following tables i.e., the amount of borrowing that is maturing in each period as a percentage of total projected borrowing:

Debt Maturity	<u>Upper Limit</u>	<u>Lower Limit</u>
Under 12 months	15%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	45%	10%
10 years and within 15 years	45%	10%
15 years and above	50%	30%

10.2.2. The table above shows, for each maturity period, the minimum and maximum amount of debt that the Council can hold as a percentage of its total external debt. For example, when deciding to take out a loan that is due to mature within the next 24 months, the Council must ensure that this does not take the total amount of debt due to be repaid to more than 20% of all Council debt.

10.3. Long Term Treasury Management Investments

10.3.1. The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments.

10.3.2. The limits shown below are the maximum amounts that can be invested beyond the end of the financial year. The authority cannot therefore hold more than £15m due to mature after 31 March 2024, no more than £10m due to mature after 31 March 2025 and £5m after 31 March 2026. A limit is also set for investments with no fixed maturity date such as strategic pooled funds and the property fund.

Long Term Treasury Management Investments					
	2022/23	2023/24	2024/25	2025/26	No Fixed Maturity
Upper Limit	£15m	£15m	£10m	£5m	£15m

10.3.3. This limit will be kept under review to take advantage of any opportunities in the current money market.

10.4. Interest Rate Risk Indicator

10.4.1. This indicator is set to control the Authority's exposure to interest rate risk. A target is set for the one-year impact of a 1% rise and a 1% fall in interest rates on the revenue account. This is measured by examining the parallel shifts in yield curves on borrowing net of treasury investments.

10.4.2. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1m

10.4.3. It should be noted that the limit set is not intended to be a hard limit that will constrain new investments and it would not be unusual for the limit to be exceeded on occasion during the course of normal treasury management activity during the year. Any material deviation from the limits set will be reported as part the quarterly monitoring of prudential indicators.

11. Monitoring Prudential Indicators

11.1. Having established the Prudential Indicators, the Executive Director of Corporate Resources and Customer Services will monitor them during the year and report on actual performance to the Audit & Governance Committee on a quarterly basis. An outturn report of performance against the Prudential Indicators will be presented to both Cabinet and Council following the financial year end.

Agenda Item 5

Summary of Prudential Indicators

Appendix A

Capital Expenditure					
	2021/22 £m Actual	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
TOTAL	32.536	50.136	76.543	60.185	33.342

Financing Costs / Net Revenue Stream					
	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	5.9%	6.1%	5.7%	5.9%	5.8%

Capital Financing Requirement					
	31/03/22 £m Actual	31/03/23 £m Estimate	31/03/24 £m Estimate	31/03/25 £m Estimate	31/03/26 £m Estimate
CFR	233.130	232.864	236.071	237.969	245.453

Net Income from Commercial and Service Investments to Net Revenue Stream					
	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	1.1%	1.1%	1.0%	1.0%	1.4%

Gross Debt and the Capital Financing Requirement					
	2021/22 £m Actual	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
CFR	233.130	232.864	236.071	237.969	245.453
Gross Debt	173.686	157.094	158.597	166.448	178.609
Under / (Over) Borrowing	59.445	75.769	77.474	71.521	66.844

Agenda Item 5

Liability Benchmark	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m
Loans CFR *	225.7	225.9	229.7	227.1	240.5
Less: Balance sheet resources	-165.3	-102.6	-93.1	-106.9	-111.2
Net loans requirement	60.4	123.3	136.6	120.2	129.3
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	70.4	133.3	146.6	130.2	139.3

* CFR excluding other long-term debt liabilities

Operational Boundary				
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	157	160	169	182
Other Long-Term Liabilities	6	5	4	3
TOTAL	163	165	173	185

Authorised Limit				
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Borrowing	182	185	194	207
Other Long Term Liabilities	6	5	4	3
TOTAL	188	190	198	210

Debt Maturity	Upper Limit	Lower Limit
Under 12 months	15%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	45%	10%
10 years and within 15 years	45%	10%
15 years and above	50%	30%

Agenda Item 5

Long Term Treasury Management Investments					
	2022/23	2023/24	2024/25	2025/26	No Fixed Maturity
Upper Limit	£15m	£15m	£10m	£5m	£15m

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1m

Agenda Item 6

Report to:	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services)	Date of Meeting:	7 February 2023
	Cabinet		9 February 2023
	Council		2 March 2023
Subject:	Treasury Management Policy and Strategy 2023/24		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	All Wards
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This report sets out the following proposed policy and strategy documents:

- a) Treasury Management Policy (Appendix A)
- b) Treasury Management Strategy (Appendix B)
- c) Minimum Revenue Provision Policy Statement (Appendix C).

Recommendation(s):

Overview & Scrutiny Committee is requested to:

- 1) Consider the proposed policies and strategy documents which include the objectives and operation of the Council's Treasury Management functions, the manner in which the Council will manage its investments and the methodology used to set aside revenue provision for the repayment of debt.
- 2) Provide any comments to Council that will be considered as part of the formal approval of the Treasury Management Policy, Treasury Management Strategy and Minimum Revenue Provisions Policy Statement.

Cabinet is recommended to:

- 1) Recommend to Council that the Treasury Management Policy Document for 2023/24 be agreed;

Agenda Item 6

- 2) Recommend to Council that the Treasury Management Strategy Document for 2023/24 be agreed;
- 3) Recommend to Council that the Minimum Revenue Provision Policy Statement 2023/24 be agreed.

Council is recommended to:

- 1) Approve the Treasury Management Policy Document for 2023/24;
- 2) Approve the Treasury Management Strategy Document for 2023/24;
- 3) Approve the Minimum Revenue Provision Policy Statement 2023/24.

Reasons for the Recommendation(s):

The Council has adopted CIPFA's Code of Practice on Treasury Management in the Public Services. The Code requires that the Council sets a policy and strategy for the effective operation of the Council's Treasury Management function during the financial year. This will ensure that cash flow is adequately planned, surplus monies are invested commensurate with the Council's risk appetite whilst providing adequate portfolio liquidity, and that the borrowing needs of the Council are properly managed to ensure that the Council can meet its capital spending obligations.

Alternative Options Considered and Rejected:

None

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications arising from this report are contained within the Councils overall revenue budget

(B) Capital Costs

All financial implications arising from this report are contained within the Councils overall capital budget

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
The policy and strategy will allow for the Council's investment income and the financing costs for the Capital Programme to be managed within the budget for 2023/24.
Legal Implications:
None.
Equality Implications:
None.
Climate Emergency Implications:

Agenda Item 6

The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N

The Council will during 2023/24, invest its reserves and balances overnight with either banks or money market funds in order to maintain high security and liquidity of such balances.

It may also have the opportunity to invest in longer term financial instruments or investment funds for which there may be a chance to consider the impact on the Council's Climate Emergency motion. In the event that the Council has more surplus balances available in future that may lead to longer term investing, the Council will take account of the climate emergency when discussing the options available with its Treasury Management Advisors.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: n/a
Facilitate confident and resilient communities: n/a
Commission, broker and provide core services: n/a
Place – leadership and influencer: Support strategic planning and promote innovative, affordable and sustainable capital investment projects through application of the CIPFA Prudential Code.
Drivers of change and reform: The Treasury Management function ensures that cash flow is adequately planned, and cash is available when needed by the Council for improvements to the borough through its service provision and the Capital Programme.
Facilitate sustainable economic prosperity: Pursuit of optimum performance on investments activities, minimising the cost of borrowing, the effective consideration / management of associated risks which continues to contribute to a balanced budget for the Council.
Greater income for social investment: n/a
Cleaner Greener: n/a

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 7098/23) is the author of the report. The Chief Legal and Democratic Officer (LD

Agenda Item 6

5298/23) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

The Council's external Treasury Management Advisors, Arlingclose Ltd, have provided advice with regards to the Treasury Management Policy and Strategy.

Implementation Date for the Decision

Following the Council Meeting.

Contact Officer:	Graham Hussey
Telephone Number:	0151 934 4100
Email Address:	Graham.Hussey@sefton.gov.uk

Appendices:

Appendix A – Treasury Management Policy 2023/24

Appendix B – Treasury Management Strategy 2023/24

Appendix C – Minimum Revenue Provision Policy Statement 2023/24

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1. The Council has adopted CIPFA's 2021 Code of Practice on Treasury Management in the Public Services which recommends the production of annual Treasury Management Policy and Strategy documents.
- 1.2. In addition, the Council has adopted and incorporated into both documents:
 - a) The requirements of the 2021 Prudential Code for Capital Finance in Local Authorities; and
 - b) An Investment Strategy produced in line with the then Ministry of Housing Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments 2018. This sets out the manner in which the Council will manage its investments, giving priority to the security and liquidity of those investments.
- 1.3. CIPFA published its revised Code of Practice on Treasury Management and a revised Prudential Code for Capital Finance in Local Authorities in December 2021. The key changes in the two codes, which replace the 2017 codes, are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The new codes took effect immediately, except that authorities could defer introducing revised reporting requirements until 2023/24. Sefton has therefore adopted the revised reporting requirements in the 2023/24 Treasury Management Policy and Strategy documents.

2. Treasury Management Policy and Strategy Documents

- 2.1. The Code requires the Council to produce:
 - a) A Treasury Management Policy Document – which outlines the broad policies, objectives and approach to risk management of its treasury management activities;
 - b) A Treasury Management Strategy Document – This sets out specific treasury activities which will be undertaken in compliance with the Policy in 2023/24; and
 - c) Suitable Treasury Management Practices, setting out the manner in which the organisation will seek to achieve these policies and objectives, prescribing how it will manage and control those activities.
 - d) Investment Management Practices for investments that are not part of Treasury management activity.

The content of the Policy Statement and the Treasury Management Practices will follow the recommendations contained in sections 6 and 7 of the Treasury Management Code. The Treasury Management Practices will incorporate the changes to the 2021 Code pertaining to the management and reporting of non-treasury management investment activity. Any further amendment to

Agenda Item 6

reflect the particular circumstances of the Council will not result in the Council materially deviating from the Code's key principles.

- 2.2. The proposed Policy and Strategy Documents are attached at **Appendix A and B** respectively.
- 2.3. In view of the complex nature of Treasury Management, update reports will be presented to the Audit and Governance Committee at each cycle and a mid-year report will also be presented to Cabinet and Council. An annual outturn report will also be presented to Audit and Governance Committee and both Cabinet and Council.

3. Financial Procedure Rules – Banking Arrangements

- 3.1. The Treasury Management Policy Document at **Appendix A** delegates certain responsibilities to the Executive Director of Corporate Resources and Customer Services, including all executive decisions on borrowing, investment or financing, in line with the Constitution of the Council.

4. Minimum Revenue Provision (MRP) Policy Statement

- 4.1. Local Authorities have a statutory requirement to set aside each year part of their revenues as a provision for the repayment of debt, called the Minimum Revenue Provision (MRP). The provision is in respect of capital expenditure incurred in previous years and financed by borrowing.
- 4.2. Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146, as amended] require local authorities to make a prudent amount of minimum revenue provision (MRP).
- 4.3. The statutory requirement to make an MRP charge does not apply to the Housing Revenue Account (HRA).
- 4.4. The MRP regulations were revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414]. These regulations were complimented by the publication of guidance on determining the “prudent” level of MRP, to which authorities are required to have regard. The 2008 regulations and associated guidance allowed local authorities more flexibility in calculating their MRP annual charge.
- 4.5. Authorities are required to prepare an annual statement of their MRP policy for submission to their full Council before the start of each financial year. The aim is to give elected Members the opportunity to scrutinise the proposed application of the MRP guidance.
- 4.6. Revised guidance was published in February 2012 and again in February 2018. Changes made in the 2018 Guidance have been set out in the MRP policy statement.

Agenda Item 6

- 4.7. In November 2021, the Department for Levelling Up, Housing and Communities (DLUHC) published a consultation seeking views on proposed changes to the (Capital Finance and Accounting) (England) Regulations 2003 to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. The proposed changes seek to (1) stop local authorities using capital receipts in lieu of a prudential charge to revenue, and (2) to ensure that they make an MRP charge in respect of borrowing associated with investment assets or capital loans. The original proposals were subsequently revised, and a further consultation was undertaken in July 2022. The proposed changes are expected to come into effect from 1 April 2023. In anticipation of this, paragraph 4.5 of the Council's MRP policy statement has been amended for 2023/24.
- 4.8. The proposed MRP Policy Statement is set out in **Appendix C**.

Agenda Item 6

Appendix A

Treasury Management Policy

2023/24

1. Treasury Management Policy

1.1. The Council defines Treasury Management as:

The management of the Authority's borrowing, investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.2. The Council's Statement of Treasury Management Policy is:

- a) Effective Treasury Management is acknowledged as providing support towards the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving best value in Treasury Management, and to employing suitable performance measurement techniques, within the context of effective risk management.
- b) The successful identification, monitoring and control of risk are regarded as the prime criteria by which the effectiveness of the Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation.

1.3. A dedicated team of three officers carries out the day-to-day treasury management activities. Two of the officers are qualified accountants, and one is a qualified accounting technician. The Service Manager – Treasury & Capital has obtained the CIPFA/Association of Corporate Treasurers sponsored qualification Certificate in International Treasury Management – Public Finance, which is aimed at giving a solid grounding in treasury management and which is tailored to the public sector.

1.4. Members should receive training in the Treasury Management function in order to assist in the understanding of this complex area. This will be addressed via the provision of regular reporting to Cabinet and the Audit and Governance Committee. Also, specific training and information on Treasury Management is available to all councillors on an annual basis. This is provided from the Authority's external advisors.

2. Policy on the use of external service providers

2.1. Following the completion of a successful tender exercise in September 2020, the Council has engaged Arlingclose Ltd. as its treasury consultants from 1st October 2020 to 30th September 2023, with a further option of a one-year extension.

2.2. The Council recognises that responsibility for treasury management decisions rests with the Council at all times. However, access to external treasury consultants provides access to specialist skills, knowledge, and advice. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly documented and subjected to regular review.

Agenda Item 6

3. Treasury Management Strategy

- 3.1. The Annual Strategy Document sets out in detail how the Treasury Management Activities are to be undertaken in a particular financial year to comply with the Council's Policy. The strategy for 2023/24 is attached at **Appendix B**.

4. Delegated Powers

- 4.1. The Executive Director of Corporate Resources and Customer Services, under the Council's Constitution, is given the following authority:
- a) All money in the hands of the Council shall be aggregated for the purposes of Treasury Management and shall be under the control of the Executive Director of Corporate Resources and Customer Services, the Officer designated for the purposes of Section 151 of the Local Government Act, 1972;
 - b) All executive decisions on borrowing, investment or financing shall be delegated to the Executive Director of Corporate Resources and Customer Services (or in their absence the Deputy Section 151 Officer) who shall be required to act in accordance with the Council's Treasury Policy, Treasury Management Practices, Investment Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

5. Reporting Requirements/Responsibilities

5.1. Cabinet and Council will:

- a) Approve, prior to each financial year, the Treasury Management Policy and Strategy Documents;
- b) Monitor these documents and approve any in-year amendments necessary to facilitate continued effective Treasury Management activity; and
- c) Receive a mid-year report on Treasury Management activity during the financial year and an annual outturn report following each financial year.

5.2. Audit and Governance Committee will:

- a) Monitor performance on at least a quarterly basis to ensure continued scrutiny of Treasury Management activity;
- b) Receive an annual outturn report on Treasury Management activity following each financial year; and
- c) Will be responsible for ensuring effective scrutiny of treasury management policies.

5.3. The Executive Director of Corporate Resources and Customer Services will:

- a) Draft and submit to Cabinet and Council prior to each financial year, the Treasury Management Policy and Strategy Documents;
- b) Implement and monitor these documents resubmitting any necessary in-year revisions/amendments (at least on a quarterly basis) to Cabinet and Council for approval;
- c) Draft and submit a mid-year report during the financial year and an annual outturn report on Treasury Management activity to Cabinet and Council following each financial year-end;
- d) Draft and submit an annual outturn report (and quarterly performance reports) on Treasury Management activity to the Audit & Governance Committee following each financial year-end;
- e) Maintain suitable Treasury Management Practices (TMP), setting out the manner in which the Council will seek to achieve its objectives. The TMP's will also prescribe how the treasury activities will be managed and controlled;
- f) Maintain suitable Investment Management Practices (IMPs) for investments that are not for treasury management purposes;
- g) Be responsible for the execution and administration of treasury management decisions; and
- h) Act in accordance with the Council's Policy Statement, Treasury Management Practices and Investment Management Practices, and also in accordance with CIPFA's Standard of Professional Practice on Treasury Management.

6. Borrowing and investments

- 6.1. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.
- 6.2. The Council's primary objective in relation to investments remains the security and liquidity of capital. The yield earned on investments remains important but is a secondary consideration.

Treasury Management Strategy

2023/24

1. Introduction

- 1.1. The Treasury Management Strategy Document sets out in detail how the Treasury Management Activities are to be undertaken in a particular financial year to comply with the Council's Treasury Management Policy.
- 1.2. The Strategy has been produced to incorporate the requirements of the CIPFA Code of Practice on Treasury Management 2021 and the Prudential Code for Capital Finance 2021.

2. Treasury Management Strategy 2023/24

- 2.1. The Strategy for 2023/24 covers:
 - a) Treasury Limits in force which will limit the borrowing activity of the Council (2.2);
 - b) Prudential Indicators 2023/24 to 2025/26 (2.3);
 - c) Credit Risk (2.4);
 - d) Markets in Financial Instruments Directive (MIFID II) (2.5);
 - e) Interest Rates (2.6);
 - f) Exchange Rates (2.7);
 - g) Capital Borrowing (2.8 & 2.9);
 - h) Debt Rescheduling opportunities (2.10);
 - i) Municipal Bond Agency (2.11);
 - j) Borrowing in advance of need (2.122);
 - k) The Use of Financial Instruments for the Management of Risks (2.133);
 - l) Investment Strategy (2.144);
 - m) Non-Treasury Investments (2.15, 2.16 and 2.17);
 - n) Environment, Social and Governance Policy (2.14.138);
 - o) The Climate Emergency (2.19);
 - p) Member and Officer Training (2.20).

2.2. Treasury Limits for 2023/24

The Treasury Limits set by Council in respect of its borrowing activities are:

Affordable Borrowing Limit	Maximum	£190m
----------------------------	---------	-------

It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. The Affordable Borrowing Limit takes into account the Council's current debt, an assessment of external borrowing to fund the Capital Programme in 2023/24, the need to fund capital expenditure previously met from internal funding, and cash flow requirements.

Agenda Item 6

Short-term Borrowing Limit	Maximum	£30m
----------------------------	---------	------

The Short-Term Borrowing limit takes into account an assessment of any potential short-term financing the Council may need (e.g. bank overdraft, short-term funding in anticipation of grant receipts). Short-Term Borrowing is defined as being for less than 12 months.

2.3. Prudential Indicators

The following prudential indicators are considered relevant by CIPFA for setting an integrated Treasury Management Strategy:

2.3.1. Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

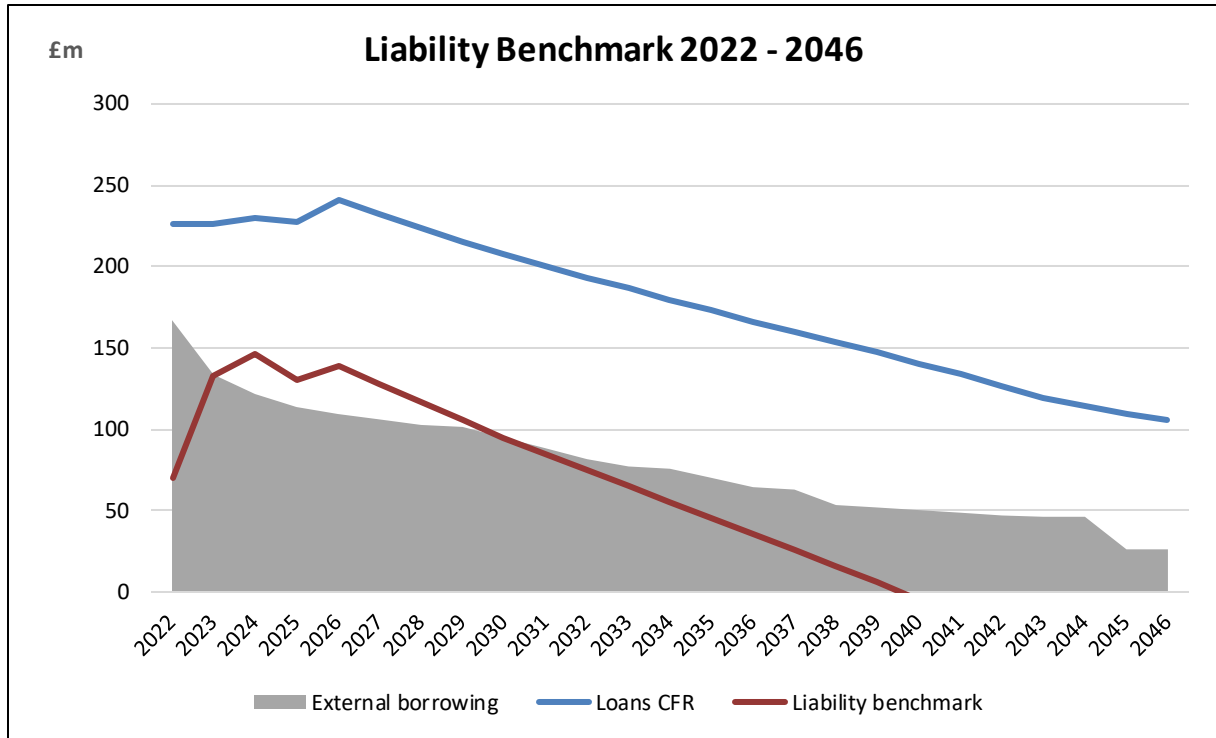
Liability Benchmark	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m
Loans CFR *	225.7	225.9	229.7	227.1	240.5
Less: Balance sheet resources	-165.3	-102.6	-93.1	-106.9	-111.2
Net loans requirement	60.4	123.3	136.6	120.2	129.3
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	70.4	133.3	146.6	130.2	139.3

The table above can be briefly explained as:

- Loans CFR – an estimate of Loans Capital Financing Requirement (the CFR less any other long-term debt liabilities), this being the required level to fund the capital programme.
- Less balance sheet resources available to fund the current approved capital programme.
- Net Loans Requirement – an estimate of the amount of borrowing required to fund the capital programme.
- Liquidity Allowance – the minimum amount of cash required to meet unexpected payments.
- Liability Benchmark – a forecast of the year end liability benchmark representing the lowest amount of borrowing that should be undertaken to maintain the Council's liquidity and minimise credit risk.

Agenda Item 6

A long term forecast for the liability benchmark plotted against external borrowing for the next 25 years can be seen in the chart below. The long-term liability benchmark assumes capital expenditure funded by borrowing in line with the approved capital programme, minimum revenue provision on new capital expenditure based on standard asset life and income, expenditure and reserves all increasing by inflation of 2.5% each year.



2.3.2. Debt Maturity Indicators

These indicators are designed to be a control over an authority having large concentrations of debt needing to be replaced at times of high interest rates. The control is based on the production of a debt maturity profile, which measures the amount of borrowing that will mature in each period as a percentage of total projected borrowing. Any borrowing decision and related maturity dates will be taken by the Council mindful of maturity profile limits set out below to ensure large concentrations of debt do not fall due for repayment in any one future financial year. The profile reflects borrowing advice provided by Arlingclose, the Council's Treasury Management Advisors.

Maturity Structure of Borrowing During 2023/24	Upper Limit %	Lower Limit %
Under 12 months	15%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	45%	10%
10 years and within 15 years	45%	10%
15 years and above	50%	30%

Agenda Item 6

The table above shows, for each maturity period, the minimum and maximum amount of debt that the Council can hold as a percentage of its total external debt. For example, when deciding to take out a loan that is due to mature within the next 24 months, the Council must ensure that this does not take the total amount of debt due to be repaid to more than 20% of all Council debt.

2.3.3. Long Term Treasury Management Investments

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments.

The limits shown below are the maximum amounts that can be invested beyond the end of the financial year. The authority cannot therefore hold more than £15m due to mature after 31 March 2024, no more than £10m due to mature after 31 March 2025 and £5m after 31 March 2026.

A limit is also set for investments with no fixed maturity date such as strategic pooled funds and the property fund.

Long Term Treasury Investments				
	2023/24	2024/25	2025/26	No fixed Maturity
Limit on Principal Invested Beyond Year End	£15m	£10m	£5m	£15m

2.3.4. Interest Rate Risk Indicator

This indicator is set to control the Authority's exposure to interest rate risk. A target is set for the one-year impact of a 1% rise and a 1% fall in interest rates on the revenue account. This is measured by examining the parallel shifts in yield curves on borrowing net of treasury investments.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1m

It should be noted that the limit set is not intended to be a hard limit that will constrain new investments and it would not be unusual for the limit to be exceeded on occasion during the course of normal treasury management activity during the year. Any material deviation from the limits set will be reported as part the quarterly monitoring of prudential indicators. The

Authority's approach to managing interest rate risk is further outlined in paragraph 2.6 below.

2.4. Credit risk

All investments involve a degree of risk. In order to mitigate these risks, the Council will consider the credit ratings supplied by the three main credit rating agencies - Fitch, Moody's and Standard & Poor's as part of the process to determine the list of counterparties where the level of risk is acceptable. As part of this process advice from Arlingclose will also be considered in terms of asset class, maximum duration, and level of investment.

Sole reliance will not be placed on the use of this external service and the Council will also consider alternative assessments of credit strength, and information on corporate developments and of market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Background research in the financial press
- Discussion with our treasury consultants
- Internal discussion with the Executive Director of Corporate Resources and Customer Services.

The Council will only invest with institutions of high credit quality that meet the following criteria:

- i. are UK based; and/or
- ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA-
- iii. have a minimum long-term rating of A- (or equivalent).

A further explanation of credit ratings can be found at **Appendix B3**.

The Council maintains a full record of each investment decision taken, each of which is authorised by an appropriate level of signatory.

2.5. MIFID II

- 2.5.1. From 3rd January 2018, the Financial Conduct Authority was obligated to treat all Local Authorities as "retail clients" under European Union legislation (MiFID II). The client status of the Local Authority relates to its knowledge and

Agenda Item 6

experience with regards to the use of regulated investment products and the decision-making processes it has in place for making such investments. The directive is focused on products such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds, including Money Market Funds.

- 2.5.2. The Council will opt up to “professional status” with its providers of financial services including advisers, banks, brokers and fund managers. Given the size and range of the Authority’s treasury management activities, this represents the most appropriate status and will allow access to the above products as an investment option as they are not available to retail clients.

2.6. Interest Rates

- 2.6.1. Arlingclose provide regular forecasts of interest rates to assist decisions in respect of:

- a) Capital Borrowings (2.8);
- b) Debt Rescheduling opportunities (2.10.10);
- c) Temporary borrowing for cash flow; and
- d) Investments strategy (2.144).

- 2.6.2. **Appendix B2** gives details of Arlingclose’s central view regarding interest rate forecasts.

- 2.6.3. Interest rate exposure is principally managed by monitoring interest rate risk. An internal view of the likely path of interest rates is formulated and this is considered along with the cash flow for the Council and any future requirements for potential borrowing such as to fund the Capital Programme. This then forms the basis of when to borrow, whether to borrow short or long term, and whether at fixed or variable rates. The maturity date for any loan is then set after a review of the Council’s debt maturity profile to ensure a smooth maturity profile. Any plans for borrowing are discussed with our treasury consultants at regular strategy meetings to ensure the most advantageous position.

- 2.6.4. The current borrowing portfolio position is monitored via the borrowing charges incurred by the Council, which are monitored on a monthly basis.

- 2.6.5. The advice from Arlingclose takes into account financial activity both in the UK and world economies and the impact of major national and international events. It is essential that borrowing and investment decisions are taken mindful of independent forecasts as to interest rate movements. The Council will continue to take account of the advice of treasury management advisors.

2.7. Exchange Rate Risk Management

- 2.7.1. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes.

Agenda Item 6

2.7.2. The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income and expenditure levels.

2.8. Capital Borrowing Strategy

2.8.1. The Authority's current debt portfolio is presented below:

Debt Portfolio	31/12/2022
Average Interest Rate	3.89%
<u>Debt Outstanding – Fixed Rate</u>	£m
PWLB	151.597
Other Long-Term Liabilities	6.262
Total Debt	157.859

2.8.2. Other long-term liabilities shown above represent transferred debt from the Merseyside Residuary Body (£1.093m) and finance lease liabilities (£5.169m).

2.8.3. The Council will raise its required finance, following advice from treasury management advisors, from the following sources:

- HM Treasury's PWLB lending facility
- An institution approved for investments (see 2.14 below)
- Banks or building societies authorised to operate in the UK
- UK public sector bodies
- UK public and private sector pension funds (with the exception of Merseyside Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

2.8.4. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback.

2.8.5. The Council's forecast borrowing requirement for 2023/24 is as follows:

Borrowing Requirement	Estimate £m
New Borrowing	10.980
Replacement Borrowing	<u>21.446</u>
Total Borrowing	32.426

Agenda Item 6

- 2.8.6. The new borrowing represents the unsupported borrowing as required by the Capital Programme in 2023/24 and replacement borrowing for existing loans that will mature at the end of 2022/23 and during 2023/24. As further explained in 2.8.9. (below), the Council is internally borrowed and may also take additional borrowing if required, in order to reverse this position.
- 2.8.7. The Arlingclose forecast for interest rates is set out at **Appendix B1**. This would suggest that the following strategy is followed:
- i. The cheapest borrowing will be internal borrowing, which involves reducing cash balances and foregoing interest earned at the current historically low rates. Consideration will always be given to long term borrowing rates and the possibility of rates rising, which could mean borrowing at future higher rates which could erode the advantages of internal borrowing
 - ii. Temporary borrowing from money markets or other local authorities.
- 2.8.8. The authority borrows from the PWLB in order to fund part of the Capital Programme, the maximum that the Council can borrow being the Capital Financing Requirement (CFR) which measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose.
- 2.8.9. PWLB borrowing as at 31st December 2022, plus other long-term liabilities, is £158m, as against an estimated CFR of £233m for 2022/23. This means that the Council is in a position to borrow a further £75m which would take the current borrowing level to the level of the CFR. This strategy is described as being internally borrowed which has the advantage of reducing exposure to interest rate and credit risk. To be internally borrowed is a conscious decision to use cash balances to fund capital expenditure, rather than borrow from the PWLB. This position can be reversed at any time by borrowing from the PWLB, or any other appropriate organisation.
- 2.8.10. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Hence, internal borrowing is a sensible option where interest rates on deposits are lower than the current PWLB borrowing rates, but this will be reviewed should interest rates change significantly.
- 2.8.11. However, as noted in 2.8.7. (above), savings have to be weighed against the potential for incurring long term extra costs by delaying unavoidable new borrowing until later years when PWLB rates are forecast to be higher. This issue will be left under review and discussions with treasury management advisors will be ongoing to ascertain the optimum time for undertaking future borrowing.
- 2.8.12. Against this background, caution will be adopted in undertaking borrowing in 2023/24. The Executive Director of Corporate Resources and Customer Services will monitor the interest rate market and following advice from

Arlingclose, adopt a pragmatic approach to changing circumstances during the year.

2.9. Public Works Loans Board Rates

2.9.1. The PWLB offers its local authority borrowing facility at a fixed rate above the Government's cost of borrowing and this has historically been the most efficient manner of borrowing for councils. The PWLB will not however, lend to any authority that plans to buy investment assets primarily for yield anywhere in their capital plans.

2.9.2. PWLB borrowing rates will be used when assessing the cost, viability, and affordability of capital schemes when those schemes are being financed from borrowing. The authority will also consider a wider evaluation of funding options from other sources as identified in paragraph 2.8.3 (above).

2.9.3. The authority may also consider arranging forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

2.10. Debt Rescheduling Opportunities

2.10.1. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

2.10.2. The recent rise in interest rates means that more favourable debt rescheduling opportunities could arise than in previous years. The situation will be monitored however, and the Council as in previous years will consider the option of debt restructuring all or part of the debt portfolio during 2023/24, should the financial circumstances allow, for example, by using capital receipts from asset disposals to repay debt.

2.11. Use of the UK Municipal Bond Agency

2.11.1. The UK Municipal Bonds Agency (MBA) was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities.

2.11.2. The MBA will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be subject to specialist external advice and a separate report will be brought to Cabinet and full Council.

Agenda Item 6

2.12. Borrowing in advance of need

2.12.1. The Council will not borrow more than, or in advance of, its needs purely to profit from the investment income made on the extra sums borrowed. Any decision to borrow in advance of need will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

2.12.2. In determining whether to borrow in advance of need the Council will: -

- Ensure that there is a direct link between the Capital Programme and maturity profile of the existing debt portfolio which supports the need to borrow in advance of need;
- Ensure that the revenue implications of such borrowing have been considered in respect of future plans and budgets; and
- Consider the merits of other forms of funding.

2.12.3. The total amount borrowed will not exceed the authorised borrowing limit of £190m. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link loans with particular items of expenditure.

2.13. The Use of Financial Instruments for the Management of Risks

2.13.1. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. Lender Option Borrower Option (LOBO) loans – typically a very long-term loan (40-70 years) and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires councils to clearly detail their policy on the use of derivatives in the annual strategy.

2.13.2. The Council's policy on such items is that it will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

2.13.3. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

2.13.4. The Council will only use derivatives after seeking expertise, a legal opinion and ensuring officers and members have the appropriate training for their use. At the present time, no such arrangements are in place.

2.14. Investment Strategy

2.14.1. The Council manages the investment of its surplus funds internally and operates in accordance with the Statutory Guidance on Local Government Investments issued by DLUHC, the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 and the CIPFA Treasury Management in Public Services Guidance Notes 2021 for Local Authorities. Surplus funds are invested on a daily basis ensuring security, followed by portfolio liquidity.

2.14.2. The Council's investment priorities are, in order of priority:

1. The security of capital
2. The liquidity of capital
3. Yield that can be generated.

2.14.3. The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security of principal sums invested and portfolio liquidity, whilst ensuring that robust due diligence procedures cover all external investments. The Authority aims to be a responsible investor and will also consider environmental, social and governance (ESG) issues when investing (see 2.18 below).

2.14.4. The Council's investment portfolio as at 31st December 2022 is set out below:

Investments Portfolio	£m
Money Market Funds	70.98
CCLA Property Fund	<u>5.00</u>
Total	75.98

2.14.5. The Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the maximum limits shown:

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	Unlimited
Local authorities & other government entities	25 years	£15m	Unlimited
Secured investments	25 years	£15m	Unlimited
Banks (unsecured)	12 months	£10m	Unlimited
Building societies (unsecured)	12 months	£10m	£15m
Registered providers (unsecured)	5 years	£10m	£15m
Money market funds	n/a	£15m	Unlimited

Agenda Item 6

Strategic pooled funds e.g. Property Funds	n/a	£10m	£15m
Other investments	5 years	£5m	£10m

- 2.14.6. The risk of exposure to an individual counterparty as a proportion of the Council's total investment portfolio will also be considered so that access to cash is maintained in the event of operational difficulties at any one provider. Operational limits expressed as a percentage of total investments held, may therefore be used for investments in addition to the above maximum limits and will be applied to counterparties that are lent to in the short term or for daily liquidity. The following table outlines the operational limits that will be applied:

Sector	Counterparty limit
Local authorities & other government entities	10%
Banks (unsecured)	5%
Building societies (unsecured)	5%
Money market funds	10%

- 2.14.7. Advice from our Treasury Management Advisors will also be considered in determining whether shorter maximum investment periods or operational limits for the amount invested is more appropriate during the year.
- 2.14.8. The Council banks with National Westminster Bank, which is part of the Royal Bank of Scotland Group. It is currently a part government-owned institution. At the present time, it meets the minimum credit criteria of A- (or equivalent) long term. There may be occasions however, when the bank's rating may temporarily fall below these minimum criteria to a BBB rating. The Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) to ensure business continuity when no other options are available.
- 2.14.9. The current list of countries approved for investment is shown below; this takes account of the most up-to-date credit ratings available in respect of the countries named. It should be noted that a maximum limit of £10m will be applied when investing in any one country outside of the UK. The investment counterparties within each country will also be subject to the limits identified above and will be monitored to ensure they continue to meet the requirements for high credit quality. In the event of a change in credit rating or outlook, the Council, with advice from treasury management advisors, will evaluate its significance and determine whether to include (subject to Council approval) or remove a country from the approval list:

Rating	Country
AAA	<ul style="list-style-type: none"> • Australia • Denmark • Germany • Netherlands • Norway • Singapore • Sweden • Switzerland • USA
AA+	<ul style="list-style-type: none"> • Austria • Canada • Finland
AA	<ul style="list-style-type: none"> • France
AA-	<ul style="list-style-type: none"> • United Kingdom

2.14.10. In order to pursue the strategy of maximising returns from surplus funds at an acceptable level of security and portfolio liquidity, the following Brokers will be utilised for investments of over one month:

- ii) BGC Brokers LP;
- iii) Tradition UK Limited;
- iv) Tullet Prebon Limited.

There are 3 brokers within this list, however as with previous years, this is to provide maximum protection to the Council. It is unlikely that these institutions will all be utilised during the financial year.

2.14.11. It is not proposed to make any investments in 2023/24 that do not comply with the above strategy, however, should the situation change, the Executive Director of Corporate Resources and Customer Services will report to Cabinet requesting appropriate approval to amend the strategy before any such investments are made.

2.14.12. If any of the Council's investments appear at risk of loss due to default (i.e. this is a credit related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make an assessment of whether a revenue provision of an appropriate amount is required.

2.14.13. Performance monitoring will be reported to the Audit and Governance Committee on a quarterly basis, with mid-year reports and outturn reports also presented to Cabinet and Council.

2.15. Non-Treasury Investments: Service Investments (Loans)

2.15.1. The Council will invest its money to support local public services and stimulate local economic growth by providing loans to its subsidiaries. These types of investments are classified as non-treasury investments.

2.15.2. Cabinet as the shareholder has agreed the provision of a peak debt facility to Sandway Homes Limited that is due to reach £8.3m. The amount of debt facility released to the housing company as of 31 December 2022 is £6.7m

Agenda Item 6

and this will be fully repaid by the end of 2024/25. As this sum is drawn down as per the agreed loan agreement, the Council will if required provide for this sum via the Public Works Loan Board. These sums are included in the prudential indicators for 2023/24 included on this agenda.

2.15.3. A similar arrangement exists for the wholly owned hospitality company, Sefton Hospitality Operations Limited for whom a lower debt facility of £0.5m has been provided. At the time of writing the loan agreement has yet to be signed, but the intention is that this will be in place by the end of 2022/23 and the debt facility will be fully utilised by the end of 2024/25.

2.15.4. The limits for Service Investments for 2023/24 will therefore be set as per the debt facilities described above:

Borrower	Approved Limit £m
Sandway Homes Ltd.	8.3
Sefton Hospitality Operations Ltd.	0.5

2.16. Non-Treasury Investments: Service Investments (Shares)

2.16.1. The Council holds shares in companies that are its wholly owned subsidiaries, the purpose of which are to support local public services and stimulate local economic growth. The three subsidiaries in which the Council holds shares are as follows:

- Sefton New Directions Limited – a company that conducts some of the Council's adult social care activities.
- Sandway Homes Limited – a company that engages in housebuilding activity.
- Sefton Hospitality Operations Limited – a company that engages in hospitality activity.

2.16.2. The value of shares held in the above companies are of nominal value (£1 per share) and therefore do not carry the same risks and exposures as shares that are purchased as an investment and may change in value in response to market forces. The Council's approach to shares in its wholly owned subsidiaries will be to continue to hold the shares, the total value of which are shown in the table below.

Subsidiary	Number of Shares Held	Value at 31/03/2022 £
Sefton New Directions Ltd.	1000	1000
Sandway Homes Ltd.	100	100
Sefton Hospitality Operations Ltd.	1	1

2.17. Non-Treasury Investments: Commercial Investments

2.17.1. Investments for commercial purposes are undertaken as a commercial business activity seeking profit that will be spent on local services. The Council's non-treasury commercial investments consist of an investment property portfolio of 179 properties which, after deducting maintenance costs, generate net income which contributes to the provision of services or present an opportunity for capital gain through redevelopment. The investment property portfolio is fully owned by the Council and no outstanding loans are held against it. No new investment properties have been added for several years.

2.17.2. The Council's Asset Management Strategy provides a framework for the planning, prioritisation, management and funding of the Council's asset base. The property asset base divides into operational and non-operation properties, the latter of which is also known as the Investment portfolio.

2.17.3. The key aims of the strategy are to:

- Enhance the opportunities for communities to access the Council's services in either our own or partner buildings.
- Maximise the use of space within buildings by enabling better and innovative ways of working.
- Ensure that buildings meet all Health and Safety requirements and other legislative standards.
- Provide a clear context within which the Council's property assets can be managed to ensure that all asset based investment is targeted towards meeting the Council's priorities and/or legislative requirements.
- Maximise the use of revenue resources by establishing effective arrangements for the management of Council assets and expenditure including focused benchmarking and performance analysis to achieve Value for Money (increase granularity of reporting down to m² rate of assets to inform robust decisions).
- Establish a corporate approach to the management and release of capital from the Council's existing asset base.

2.17.4. The strategy is reviewed annually adapting to the review of the Council's strategic objectives, changes in policy, professional practice and changes in the economy and property markets.

2.18. Environmental, Social and Governance (ESG) Policy

2.18.1. ESG considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Agenda Item 6

2.18.2. Furthermore, where the Council deposits surplus balances overnight or for a short-term, investments will be made with financial institutions in a responsible manner (aligned to the overarching core principles/Councils core values) where possible and in accordance with advice from its Treasury Management Advisor. In the event that the Council has surplus balances that it can invest for the longer term (e.g. terms over 1 year) it will exclude direct investment in financial products that do not contribute positively to society and the environment. This will include the principle that investment in specific financial products whose performance is driven by off-shore trading, financial malpractice, debt swops, short selling, the arms trade and tobacco industry will be avoided. The same rigorous criteria will be used to assess whether investment in certain countries will be contrary to Sefton's core values.

2.18.3. It is recommended that the Executive Director of Corporate Resources and Customer Services, assess whether investment in certain countries will be contrary to Sefton's core values, give consideration to the exclusion of those countries on the EU list of non-cooperative tax jurisdictions (the black list and grey list), which aims to tackle external risks of tax abuse and unfair tax competition, within the Council's Treasury Management Strategy.

2.19. The Climate Emergency

2.19.1. At Full Council in July 2019 a climate emergency was declared by the Council. One of the aspects within this motion was that the Council should review the impact that some of its strategies including its Treasury Management Strategy could have on the successful delivery of the motion.

2.19.2. In recent years, the Council has seen its level of reserves and balances (excluding emergency Covid funding) reduce and as a result where in previous years, it would have invested these surplus resources in longer term financial instruments or investment funds that may have had an impact on the Council's motion, it now deposits these lower value residual funds overnight with either banks or money market funds.

2.19.3. As a result of this, at this stage it is not considered that the Council's investment activity needs to be taken into account when considering its response to the climate emergency. In the event that the council has more surplus balances available during the year that may lead to longer term investing, the council will take full account of the climate emergency when discussing the options available with the Treasury Management Advisors.

2.20. Member and Officer training

2.20.1. CIPFA's Code of Practice requires the Executive Director of Corporate Resources and Customer Services to ensure that all Members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

2.20.2. In order to address this, the Service Manager – Treasury & Capital has obtained the CIPFA/Association of Corporate Treasurers sponsored qualification Certificate in International Treasury Management – Public

Agenda Item 6

Finance, which is aimed at giving a solid grounding in treasury management and which is tailored to the public sector. Training will be provided for Members of the Audit & Governance Committee, and it is intended for such training to occur at least annually.

INTEREST RATE FORECAST

Arlingclose Interest Rate Forecast as at December 2022

The Council has appointed Arlingclose as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view:

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
 PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
 UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Arlingclose Economic and Interest Rate Forecast (Commentary)

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power - recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

Agenda Item 6

Appendix B3

CREDIT RATING EXPLANATION

The following is an explanation of the ratings applied by Fitch.

Short term rating

This places greater emphasis on the liquidity necessary to meet financial commitments.

- F1** highest credit quality (+ denotes exceptionally strong)
- F2** good credit quality
- F3** fair credit quality.

Long term rating

- AAA** highest credit quality – lowest expectation of credit risk and exceptionally strong capacity to pay financial commitments
- AA** very high credit quality – very low credit risk and very strong capacity to pay financial commitments
- A** high credit quality – low credit risk and considered to have strong capacity to pay financial commitments, but may be vulnerable.

Viability rating

This assesses how a bank would be viewed if it were entirely independent and could not rely on external support.

- aaa** highest fundamental credit quality
- aa** very high fundamental credit quality
- a** high fundamental credit quality
- bbb** good fundamental credit quality
- bb** speculative fundamental credit quality
- b** highly speculative fundamental credit quality
- ccc** substantial fundamental risk
- cc** very high levels of fundamental credit risk
- c** exceptionally high levels of fundamental credit risk
- f** failed.

Support rating

Judgement of a potential supporter's (either sovereign state or parent) propensity to support the bank and its ability to support it.

- 1** extremely high probability of external support
- 2** extremely high probability of external support
- 3** moderate probability
- 4** limited probability
- 5** cannot rely on support.

Minimum Revenue Provision Policy Statement

2023/24

Agenda Item 6

1. Background

- 1.1. Local Authorities have a statutory requirement to set aside each year part of their revenues as a provision for the repayment of debt, called the Minimum Revenue Provision (MRP). The provision is in respect of capital expenditure incurred in previous years and financed by borrowing.
- 1.2. Previously the Council was required to follow a prescriptive MRP calculation as set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 2003/3146, as amended]. This system was revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414].
- 1.3. As part of those regulations the Government issued guidance recommending local authorities to prepare an annual statement of its strategic policy on the MRP, to be approved by the full council. The guidance requires each authority to determine its own MRP within the given framework and that the amount of MRP charged is a prudent amount.
- 1.4. The broad aim of a prudent amount is to ensure that the debt is repaid over a period that is either reasonably commensurate with the period over which the capital expenditure provides benefit, or, in the case of borrowing supported by formula grant, reasonably commensurate with the period implicit in the determination of that grant.

2. Strategic Options

- 2.1. The Council is free to determine its own method for calculating a prudent provision, but the guidance includes four options for calculating MRP. The Council can choose from or use a combination of the available options. The options are as follows:

Option 1 – Regulatory Method

- 2.2. This provides for local authorities to continue to calculate MRP in line with the minimum existing statutory charge of 4% of outstanding debt related to supported borrowing only, less an adjustment that ensures consistency with previous capital regulatory regimes no longer in force. This option is available for all capital expenditure incurred prior to 1 April 2008.

Option 2 – Capital Financing Requirement Method

- 2.3. This is very like the regulatory method, but it does not take account of the adjustment that ensures authorities do not pay more MRP than under the previous capital regulatory regimes. For most authorities, this method may not be appropriate as it would result in a higher level of provision than option 1.

Option 3 – Asset Life Method

- 2.4. This method is appropriate for calculating MRP in relation to debt incurred as unsupported borrowing (also known as prudential borrowing) and must be used for revenue expenditure capitalised by direction or regulation (such as that for equal pay). Under this option there are two methods available:
- i. **Equal instalment method.** This generates a series of equal annual amounts over the life of each asset that is financed by borrowing, with the life determined upon acquisition. This means that the charge to revenue closely matches the period of economic benefit of the asset.
 - ii. **Annuity method.** This method links the MRP to the flow of benefits from an asset where the benefit is expected to increase in later years.
- 2.5. Under this option authorities should consider the type of assets that they finance through prudential borrowing, as the type of asset may have a significant impact on the level of MRP and the method used to calculate the MRP.

Finance Leases and PFI

- 2.6. The guidance indicates that for finance leases and on balance sheet PFI contracts, the MRP requirement is met by making a charge equal to the element of the finance lease rental that goes to write down the balance sheet liability under proper accounting practices. This is in effect a modified version of the annuity method of Option 3.

Option 4 – Depreciation Method

- 2.7. This method is appropriate for calculating MRP in relation to debt incurred as unsupported (prudential) borrowing. Under this method, MRP is equal to the amount of depreciation charged on assets funded from unsupported borrowing. This method may cause volatility in the annual charge for MRP because assets are revalued on a periodic basis, giving rise to significant changes in the amount of depreciation charged. Given this potential adverse impact on future budgets this option is not considered viable.

Use of Capital Receipts

- 2.8. In addition to the four options listed above, the Local Authorities (Capital Finance and Accounting) Regulations 2003 [SI 2003/3146] allow local authorities to use capital receipts to meet “any liability in respect of credit arrangements, other than any liability which, in accordance with proper practices, must be charged to a revenue account”.
- 2.9. For both finance leases and PFI contracts, proper accounting practices require that the element of the annual rental relating to the repayment of the liability is used to write down that liability on the balance sheet and is not charged to revenue. It therefore follows that local authorities are permitted to apply capital receipts to fund the principal element of the annual rental of a finance lease or on balance sheet PFI contract.

Agenda Item 6

3. MRP Statutory Guidance (February 2018)

3.1. In February 2018, the Government issued revised statutory guidance on the minimum revenue provision.

3.2. The key changes to the guidance included:

- The definition of 'Prudent Provision' used in the guidance was updated so that the broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their Capital Financing Requirement (CFR).
- Where a local authority changes the method(s) that it uses to calculate MRP, it should explain in its Statement, why the change will better allow it to make prudent provision.
- The calculation of MRP under the new method(s) should be based on the residual CFR at the point the change in method is made (i.e. it should not be applied retrospectively). Changing the method used to calculate MRP can never give rise to an overpayment in respect of previous years, and should not result in a local authority making a reduced charge or a charge of £nil for the accounting period in which the change is made, or in any subsequent period, on the grounds that it needs to recover overpayments of MRP relating to previous years.
- A charge to a revenue account for MRP cannot be a negative charge.
- If a local authority chooses to offset a previous year's overpayment, they should disclose this fact and any remaining cumulative overpayment of MRP in the Statement presented to full council.
- Where a local authority uses MRP options 3 or 4 or where it uses another methodology that has the useful life of assets as a component to the calculation, it should normally not exceed a maximum useful life of 50 years. Local authorities can exceed this maximum in two scenarios:
 - i. where a local authority has an opinion from an appropriately qualified professional advisor that an asset will deliver service functionality for more than 50 years it can use the life suggested by its professional advisor; and
 - ii. for a lease or PFI asset, where the length of the lease/PFI contract exceeds 50 years. In this case the length of the lease/PFI contract should be used.

4. MRP Policy for 2023/24

4.1. The recommended MRP policy is summarised below:

<u>Category</u>	<u>Basis of MRP Calculation</u>
Supported borrowing	Annuity Basis - Calculated over 50 years (commencing from 1 April 2015)
Unsupported (prudential) borrowing	Annuity Basis - Calculated using (Option 3) the estimated life method

Agenda Item 6

<u>PFI and Leasing Arrangements</u>	<u>Basis of MRP Calculation</u>
On balance sheet PFI contracts	MRP charge to be equal to the principal element of the annual rental
On balance sheet leasing arrangements (finance leases)	MRP charge to be equal to the principal element of the annual rental

4.2. Standard asset lives to be applied to calculate the MRP charge for unsupported (prudential) borrowing:

Intangibles (Software)	3 Years
Vehicles, Plant & Equipment	5 to 10 Years
Revenue Expenditure Funded for Capital Under Statute – Capitalised Redundancy Costs	20 Years
Revenue Expenditure Funded for Capital Under Statute - Other	25 Years
Community Assets (Parks, Gardens etc.)	25 Years
Land	50 Years
Buildings – Scheme Value under £250,000	25 Years
Buildings – New Build (Value over £249,999)	Building Life per Asset Register *
Buildings – Acquisitions (Value over £249,999)	
Buildings – Refurbishment / Remodelling (Value over £249,999)	30 Years
Buildings – New Strand Shopping Centre	25 Years
Infrastructure - Capitalised Highways Maintenance	10 Years
Infrastructure - Other	40 Years

* The building life used in the MRP calculation will be subject to a maximum of 50 years.

4.3. The Executive Director of Corporate Resources and Customer Services will retain discretion to use alternative lives for assets (capital schemes) that have characteristics that mean using the standard life would not be considered appropriate. It is anticipated that this will only apply in very limited circumstances.

4.4. Assets acquired with the intention of onward sale which will not be used in the delivery of services will not generally attract MRP as in these events the capital receipts generated by the loan and sale will be set aside to repay debt.

4.5. Loans made to third parties to enable them to incur capital expenditure are repaid by the borrower and so an MRP provision will not need to be made in most cases. However, a provision will be made in those cases where it is required under the Capital Finance and Accounting Regulations.

4.6. Commencement of MRP Charges

Provision for debt under Option 3 (Asset Life Method) will normally commence in the financial year following the one in which the expenditure is incurred. However, the MRP guidance highlights an important exception to this rule. In the case of the provision of a new asset, MRP would not have to be charged until the asset came into service and would begin in the financial year following the one in which the asset became operational. This delay would be perhaps 2 or 3 years in the case of major projects, or possibly longer for some complex infrastructure schemes.

Agenda Item 6

4.7. Use of Capital Receipts to Reduce MRP Charges

Any proposal to use capital receipts to reduce future MRP charges will be presented for approval in-line with the Council's Financial Procedure Rules prior to the application of the capital receipts.

4.8. Housing Revenue Account

The Housing Revenue Account (HRA) is not subject to a statutory requirement to make a minimum revenue provision. As a result, the MRP policy set out above only applies to borrowing to fund none HRA assets. However, the Council may make an annual voluntary provision for debt repayment in the HRA. The level of provision (if any) will be determined annually as part of the closure of the HRA.

Agenda Item 7

Report to:	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services) Cabinet Council	Date of Meeting:	7 February 2023 9 February 2023 2 March 2023
Subject:	Capital Strategy 2023/24 to 2027/28		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	All Wards
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

The Capital Strategy sets out the long-term context in which capital expenditure, borrowing and investment decisions are made and considers the impact of these decisions on the priorities within the Council's Core Purpose and the promises made in the 2030 Vision for Sefton.

At the heart of the Capital Strategy is the Council's core objective to continue deliver financial sustainability. As such a flexible capital investment programme is more important than ever as a method to stimulate and enable economic growth and strategic investment, ensuring best use of existing assets and of generating future income streams to pay for and deliver day to day services.

Recommendation(s):

Overview & Scrutiny Committee is asked to:

- 1) Consider the proposed Capital Strategy document as set out in Appendix A.
- 2) Provide any comments to Council that will be considered as part of the formal approval of the Capital Strategy.

Cabinet is asked to:

Recommend that Council approve the Capital Strategy as set out in Appendix A.

Agenda Item 7

Council is recommended to:

Approve the Capital Strategy as set out in Appendix A.

Reasons for the Recommendation(s):

The Capital Strategy is a key policy document for Sefton Council and follows guidance issued in the Prudential Code for Capital Finance in Local Authorities (2021 Edition). Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

There are no direct revenue costs associated with the recommendations in this report.

(B) Capital Costs

There are no direct capital costs associated with the recommendations in this report.

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

Resource Implications (Financial, IT, Staffing and Assets): The Capital Strategy outlines the governance and framework for future capital investment decisions. Proposals may have an impact on physical assets and/or ongoing revenue income and expenditure, and this will be assessed during the approval process.
Legal Implications: The Council's decision-making processes resulting in the implementation of any capital programme must be transparent. The Capital Strategy proposes a governance structure that enables the effective management of whole capital programme.
Equality Implications: N/A
Climate Emergency Implications:

The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

There are no direct climate change implications from the proposals set out in this report.

Contribution to the Council's Core Purpose:

<p><u>Protect the most vulnerable:</u> The Capital Strategy will enable the Council to continue to seek to protect the most vulnerable within available resources.</p>
<p><u>Facilitate confident and resilient communities:</u> The Capital Strategy demonstrates a clear commitment to early intervention and prevention and working with partners, communities and local businesses to reduce the reliance on the public sector.</p>
<p><u>Commission, broker and provide core services:</u> The Capital Strategy recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered but will use new service delivery models and new forms of partnership.</p>
<p><u>Place – leadership and influencer:</u> The Capital Strategy will see the Council continue to demonstrate strong and effective leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision-making process.</p> <p>The Council continues to work with partners towards common goals, moving away from traditional ways of working focused around delivering services and is demonstrating a greater role in influencing, shaping, enabling and building community capacity.</p>
<p><u>Drivers of change and reform:</u> The Capital Strategy demonstrates the Council is playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.</p>
<p><u>Facilitate sustainable economic prosperity:</u> The Capital Strategy clearly articulates the Council's approach to investing in order to achieve financial sustainability and the ambitions of Sefton 2030.</p>
<p><u>Greater income for social investment:</u> The Capital Strategy recognises the Council's commitment to developing a commercial nature, looking at what it can do either by itself or with others to generate income and a surplus that can be reinvested into delivering social purpose.</p>

Agenda Item 7

Cleaner Greener: The Capital Strategy recognises the Council's commitment to work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, people's wellbeing and the achievement of the 2030 Vision.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 7108/23) is the author of the report. The Chief Legal and Democratic Officer (LD 5308/23) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

Implementation Date for the Decision

Officers will be authorised to implement all decisions within this report immediately following Council on 2nd March 2023.

Contact Officer:	Andrew Bridson
Email Address:	andrew.bridson@sefton.gov.uk

Appendices:

Appendix A – Capital Strategy 2023/24

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition) requires all Local Authorities to adopt a Capital Strategy. It is mandatory for all authorities to have this approved and in place and have it considered alongside the Council's other key budget reports such as the Treasury Management Strategy.
- 1.2 The Council has adopted CIPFA's 2021 Prudential Code for Capital Finance in Local Authorities. CIPFA published a revised Prudential Code for Capital Finance in Local Authorities in December 2021. This enabled authorities to defer introducing revised reporting requirements until 2023/24. Sefton has therefore adopted the revised changes to the Capital Strategy for 2023/24.

2. Content

- 2.1 The content of the capital strategy is defined; however, it is recognised that individual authorities final document will reflect its own individual circumstances. As such the document aims to provide information on how the capital programme and future decisions will be made and what considerations will be taken into account in the management of the programme.
- 2.2 The key areas that will be included in the capital strategy are:
 - governance and prioritisation
 - capital expenditure and resources
 - asset management strategy
 - commercial activities
 - investments for service purposes
 - non-financial investments
 - treasury management, debt and borrowing
 - liabilities
 - revenue budget implications
 - risk management
 - knowledge and skills.
- 2.3 CIPFA has introduced a revised a Prudential Code for Capital Finance in Local Authorities (2021 Edition) and this has been adopted by Sefton Council in 2023/24. Key developments within the latest version of the code include:
 - strengthened and clear provisions for prudent investing
 - definitions and disclosures for service, treasury, and commercial investments
 - a new objective for proportionate service and commercial investments and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services. In Sefton, these are subject to an overall maximum investment limit of £8.8m and these relate to the debt facilities which have been made available to Sandway Homes and Sefton Hospitality Operations Limited (SHOL)
- 2.4 As a consequence of the updated Code, following advice from the Council's specialist advisors Arlingclose, a number of updates have been made to the Capital Strategy and this includes an overview of some of the key Prudential

Agenda Item 7

Indicators. These are discussed in more detail in the separate Prudential Indicator 2023/24 report which accompanies this strategy document.

- 2.5 A summary of the Council's current capital programme is included as part of the Council's main budget report also on today's agenda, and this will be updated as future capital decisions are made.

Appendix A

Capital Strategy

2023/24

Agenda Item 7

1. Introduction

- 1.1 This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance understanding of all stakeholders and those who may be interested in the Council's activities.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Background

- 2.1 The Capital Strategy is a key policy document for Sefton and follows guidance issued in the Prudential Code for Capital Finance in Local Authorities (2021 Edition). It is an overarching document which sets the policy framework and governance for the development, management and monitoring of capital investment and the use of capital resources. The strategy reflects the Council's Vision for 2030, Core Purpose, and sets out how capital expenditure will play a significant role in its delivery through the Growth Programme. The Capital Strategy is aligned to the Treasury Management Strategy, Medium Term Financial Plan (MTFP), Asset Management Strategy and the Disposal Policy and all other approved policies and frameworks.
- 2.2 During 2016 Sefton Council led on developing a new and exciting vision for the future of the Borough. The Imagine Sefton 2030 consultation engaged with thousands of people, local businesses and potential investors to create a vision that collectively promotes shared prosperity, coordinated public investment and a healthy environment and population. On the back of this work the Vision 2030 was agreed in November 2016, together with the Vision Outcomes Framework and the Council's Core Purpose. It was agreed by Cabinet in September 2022 that a full review of the vision will be completed in the forthcoming period.
- 2.3 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. This is particularly relevant and important as a result of the global pandemic, the current challenging economic environment and the impact on residents, communities and businesses.
- 2.4 The Capital Strategy also recognises that regeneration is a priority and that where it is appropriate to do so the Council can acquire strategic property for regeneration purposes where business cases provide a satisfactory payback period / profile.

- 2.5 The Strategy is brought forward in the recognition that Cabinet has approved and published a number of Town Centre Investment Frameworks and other policies and that should the opportunity present itself the Council might be the investor, subject to consideration of a robust business case in accordance with the Financial Procedure Rules.
- 2.6 The Capital Strategy will be the framework from which capital expenditure and investment decisions in Sefton are made to enable the delivery of the growth programme. The decision-making process will consider stewardship, value for money, prudence, sustainability and (long-term) affordability. The Capital Strategy contains:
- An overview of the governance process for prioritisation, approval and monitoring of capital expenditure;
 - A longer-term view of capital expenditure plans;
 - An overview of asset management planning;
 - The authority's approach to commercial activities including due diligence and risk appetite;
 - Expectations around debt and use of borrowing to support capital expenditure;
 - The knowledge and skills in the authority in relation to capital investment activities.

3. Capital Programme Governance and Prioritisation

- 3.1 All capital programme expenditure will be governed through the Capital Strategy framework. Individual programmes and projects will commonly fall into three main categories:
- Capital maintenance and improvement – to sustain the condition of existing assets and/or to avoid the short, medium and long-term revenue costs of “do nothing”.
 - Capital Investment for financial return – i.e. for commercial purposes to deliver an ongoing revenue return.
 - Capital Investment for non-financial return – investment in an asset of strategic importance linked to the 2030 Vision and Council's Core Purpose.
- 3.2 This categorisation will help to determine, for officers and members, the route that a project proposal must follow in order to gain approval into the capital programme. It will clarify the governance pathway and the degree of due diligence required before approval to spend is granted.
- 3.3 A robust planning and prioritisation process has been designed with clear approval stages at which risk, reward, value for money and alignment to the Council's priorities is tested.
- 3.4 The Capital Strategy proposes a governance structure that enables the effective management of whole capital programme. New capital schemes will typically take one of three routes to approval for inclusion in the capital programme.
- A. For recurrent capital schemes funded 100% from external resources the Finance Procedure Rules state:

Agenda Item 7

- Schemes up to and including £100k can be approved by the Section 151 Officer and Chief Executive;
- In excess of £100k up to and including £250k can be approved by the S151 Officer and Cabinet Member – Regulatory, Compliance and Corporate Services;
- In excess of £250k up to and including £1m can be approved by Cabinet;
- In excess of £1m+ can be approved by Council with a recommendation from Cabinet.

B. Council approves the inclusion of capital block grant allocations within the capital programme. The respective Cabinet Members in conjunction with the Council’s Section 151 Officer have delegated authority to allocate capital grants to capital projects to be included within the capital programme up to a level of £1m per individual scheme. Schemes above this threshold will require approval by Council.

C. Projects that require the use of council resources and meet strategic objectives will follow internal governance arrangements before submission to Cabinet and where appropriate Council for approval as set out in the Council’s Financial Procedure Rules.

3.5 The Council will approve this strategy and in accordance with the Council’s Constitution and legislation, Cabinet will make decisions to implement the strategy.

3.6 Financial management and performance of the Council’s approved and published Capital Programme is reported to Cabinet and Overview and Scrutiny Committee with an Annual Report being produced at the end of each financial year.

3.7 The Capital Programme will be continually updated as part of each budget cycle to take into account any decisions made in the year.

4. Capital Expenditure and Resources

4.1 Capital expenditure is broadly defined as expenditure on the acquisition of a tangible asset, or expenditure which enhances (rather than merely maintains), the value of an existing asset and/or the useful life of an asset and increasing usability, provided that the asset yields benefits to the Council and the services it provides is for a period of more than one year. Sefton’s de minimis level for new assets is currently £10,000. This limit can be varied at the discretion of the Section 151 Officer.

4.2 In 2023/24, the Authority is planning capital expenditure of £76.543m:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

Capital Expenditure					
	2021/22 £m Actual	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
TOTAL	32.536	50.136	76.543	65.185	33.342

- 4.3 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 is included as part of the Council's main budget report, and has been published alongside this strategy document, and this will be updated as future capital decisions are made.
- 4.4 The Council may also receive additional block allocations of grant from central government and the City Region for 2023/24 but these have not yet been confirmed. The grant allocations will be added to the capital programme following approval by Cabinet and Council. The estimated amounts to be received, and included in the estimates of capital expenditure (above), are shown below for information:
- Disabled Facilities Grant - £4.823m
 - Schools Condition Allocation - £2.426m
 - Devolved Formula Capital Grant - £0.363m
 - City Region Sustainable Transport Settlement - £8.154m.
- 4.5 The increase in capital expenditure during 2022/23 and 2024/25 shown in the table above represent additional allocations added as part of the traditional capital programme and new schemes included in the Council's Strategic Investment Programme including the Southport Town Deal. Due to the size and complexity of the Council's capital programme, some schemes may also be rescheduled from previous years and thus increase the overall estimate of expenditure. The majority of the additional expenditure will be funded from external grants, contributions and capital receipts. This may change as grant allocations and additional capital schemes are made known to the Council and are approved for inclusion within the Capital Programme.
- 4.6 There are also Town Deal projects – which have now been approved by the Department for Levelling Up, Housing and Communities (DLUHC) – which have been included within the estimates of capital expenditure presented in this document (see Section 8 “Town Deal”).
- 4.7 Capital Expenditure must be incurred in line with the Financial Procedure Rules. The Executive Director of Corporate Resources and Customer Services (Section 151 Officer) is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by Cabinet before submission to Council for approval alongside the annual revenue budget.
- 4.8 Capital resources are held corporately and are allocated according to the priorities outlined in section 2. The Council will seek to maximise the use of external grants and contributions; and to consider joint funding initiatives with partners if the benefits of doing so align with Council priorities.
- 4.9 Capital expenditure is typically funded from:
- Government Grants
 - Section 106
 - External Contributions
 - Prudential Borrowing
 - Capital Receipts

Agenda Item 7

4.10 The planned financing of the Capital Expenditure Estimates included in Table 1 is as follows:

Table 2: Capital financing in £ millions

	2021/22 actual	2022/23 forecast	2023/24 budget *	2024/25 budget	2025/26 budget
Grants	20.433	38.415	55.195	54.616	16.939
Capital Receipts	1.089	1.735	4.356	0.000	0.000
Contributions	1.369	2.668	5.696	0.010	0.000
Borrowing	9.645	7.319	11.297	10.559	16.403
TOTAL	32.536	50.136	76.543	65.185	33.342

4.11 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Minimum revenue provision (MRP)	6.160	7.090	7.544	7.994	8.183
Capital receipts	0.000	0.000	0.000	0.000	0.000
TOTAL	6.160	7.090	7.544	7.994	8.183

4.12 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 MRP. The CFR is expected to increase by £3.207m during 2023/24. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget *	31.3.2026 budget
TOTAL CFR	233.130	232.864	236.071	237.969	245.453

Prudential Borrowing

4.13 Local authorities are able to borrow to invest in capital works and assets provided that the cost of that borrowing is affordable/repayable and in line with principles set out in the Chartered Institute of Public Finance and Accountings (CIPFA) Prudential Code Guidelines.

4.14 Each year the Council approves a Treasury Management Strategy and a range of prudential indicators that reflect its compliance with the CIPFA guidance and the approach to capital expenditure and borrowing for the forthcoming year. As such,

projects that are identified and which support the Council's corporate objectives (including financial sustainability) may utilise prudential borrowing once they have been formally reviewed and subject to robust business case scrutiny. Within such cases a full financial appraisal will be required to ensure that all revenue implications of the cost of borrowing are considered.

- 4.15 Any capital expenditure funded from prudential borrowing will have a future impact on the revenue budget as the Council is required to set aside a minimum revenue provision (MRP) to repay the principal and interest, i.e. the debt, over the life of the asset.
- 4.16 The financing of the capital programme will be delegated to and determined by the Executive Director of Corporate Resources and Customer Services (Section 151 Officer). Consideration will be given to the long-term impact of capital expenditure and any ongoing revenue implications. The capital financing charges and any additional running costs arising from capital decisions are incorporated within the annual Budget and Medium-Term Financial Plan. This enables members to consider the consequences of capital spend alongside other competing priorities for revenue funding.
- 4.17 Capital expenditure decision making is not only about ensuring that the initial allocation of capital funding meets corporate and service priorities but also that the asset is fully utilised, sustainable and affordable throughout its whole life. This overarching commitment to long term affordability is a key principle in all capital expenditure appraisal decisions.
- 4.18 The Prudential Code was introduced as part of the Local Government Act 2003. It details several measures/parameters known as prudential indicators that are set each year. When setting these indicators, the Prudential Code requires the Council to have regard to service objectives, affordability, prudence and sustainability. The Prudential Indicators Report is approved as part of the annual budget setting process and is also presented for monitoring purposes to the Audit and Governance Committee on a quarterly basis.
- 4.19 The indicators are based upon capital programme expenditure and its funding requirements and ensure that the budgeted capital expenditure limit is monitored, along with the level of the Capital Financing Requirement which represents the Council's underlying need to borrow for the capital programme. Maximum borrowing limits are set for the Council, the affordability of which is assessed against total income from Government grants, Council Tax and Business Rate payers.

5 Asset Management Strategy

- 5.1 A core part of the Council's capital programme is informed by the Asset Management Strategy. The schedule of capital improvement works required to support the Council's operational property portfolio is derived from this strategy. The Asset Management Strategy sits alongside the Asset Disposal Policy.
- 5.2 The main objectives of capital expenditure on operational assets is to ensure that they meet health and safety standards, are fit for purpose in terms of statutory guidance and legislation, to ensure that capital assets continue to be of long-term

Agenda Item 7

use, as well as helping the Council to reduce costs from unnecessary revenue expenditure on poorly maintained and/or redundant stock. A key objective of the capital strategy is that it links with the Asset Management Strategy to protect current buildings and long-term assets to avoid incurring significant future costs.

- 5.3 The asset management capital expenditure decision making process must consider the Council's Asset Disposal Policy. A regular review of Council owned assets will identify whether assets should be held for operational or heritage purposes, should form part of the Council's future investment and capital programme or should be disposed of.
- 5.4 When a capital asset is disposed off, the proceeds received are known as capital receipts. These can be spent on new assets or used to repay debt. The Authority plans to utilise £4.356m of capital receipts in the coming financial year. This will be funded from asset sales which have been approved as part of the wider asset disposal programme. This is part of a wider pipeline of asset disposals which total approximately £30m.
- 5.5 The Asset Management Strategy and Asset Disposal Policy are key documents to inform all long-term capital and revenue implications. These documents are reviewed on an annual basis and a review has taken place this year.
- 5.6 A structured approach to any disposal and the likely capital receipt will mean that medium and long-term resourcing estimates can be made and aligned to future investment decisions.

6 Commercial Activities

- 6.1 This section aims to bring together for visibility details of assets held by the Council which generate a financial return. These 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. These are legacy arrangements and there have been no such investments in recent history.
- 6.2 In addition, the Council has had to develop its commercial mindset in order to continue to support the achievement of key service priorities and deliver financial sustainability. A commercial approach will lead to more commercial activities being developed, assessed and delivered and means that processes and financial controls, regarding material capital investment, need to be robust. Due diligence and ongoing budget management will be effective and proportional to the level of investment and risk. It is also critical that such options are considered not in isolation on a project by project basis, but across the whole portfolio of projects in order that the risk profile for all activity is understood as part of the Council's requirement to deliver financial sustainability.
- 6.3 The governance structure for all capital investment and expenditure decisions, explained in section 3, contains additional gateway processes which allow further scrutiny, checks and levels of approval for commercial activity in recognition of the enhanced risk involved.

6.4 The Council already operates on a commercial basis in some areas of its core activity. The success of these functions provides assurance in terms of the Council's ability to manage commercial activity.

7 Investments for Service Purposes: Sandway Homes, Sefton Hospitality Operations Limited (SHOL) and Sefton New Directions (SND)

7.1 The Council makes investments to assist local public services which includes making loans to the Council's subsidiaries that provide services and support the Council's Core Purpose.

7.2 The Council has a 100% wholly owned company in Sandway Homes Limited with Cabinet being the shareholder and nominates a shareholder representative. As such Cabinet is responsible for making all decisions in respect of approving the governance arrangements, the Business Plan and any variations to it, in addition to approving the financial estimates and arrangements including the provision of a debt facility that supports working capital.

7.3 The role of Cabinet reflects the provisions in the Council's Constitution that it should undertake the shareholding function on behalf the Council and take all necessary steps to manage and safeguard any shareholding the Council owns in a company.

7.4 The last Business Plan update was provided to Cabinet in December 2022. This builds on previous annual business plan updates that are provided which then inform budget estimates that are included in the Medium Term Financial Plan for subsequent years. The last Business Plan estimated that a dividend of £1.050m would be paid to the Council in 2025/26 upon completion of Phase 1 and this figure is included in the latest Medium Term Financial Plan.

7.5 The previously reported peak debt estimate for the company was £8.3m with this due to be reached in the first half of 2022 with this reducing to £3.7m by the end of 2022/23. The Business Plan update provided to Cabinet in December 2022 indicated that challenges linked to the current economic environment may mean the peak debt level needs to be reconsidered alongside the associated risks. Any changes to the peak debt will be approved via the appropriate governance route.

7.6 A similar arrangement exists for the wholly owned hospitality company, Sefton Hospitality Operations Limited for whom a lower debt facility of £0.5m has been provided.

7.7 The total investment for service purposes as at 31 December 2022 is £6.7m which relates entirely to Sandway Homes. This provides a net return after all costs of 2.2% above the national loans rate (as published by the Debt Management Office).

7.8 The Council also own shares in Sefton New Directions (SND) which is a wholly owned subsidiary. There has been no additional direct investment such as loans or debt facilities made available by the Council to the company.

7.1 The following table provides an overview of the net income from both commercial and service investments:

Agenda Item 7

Table 5: Prudential indicator: Net income from commercial and service investments to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Total net income from service and commercial investments (£m)	2.508	2.450	2.409	2.584	3.419
Proportion of net revenue stream	1.1%	1.1%	1.0%	1.0%	1.3%

8 Southport Town Deal

- 8.1 Southport is set to receive £37.5m in government funding for a range of projects across the town centre and sea front following a successful bid to the Government's Towns Fund. The award represents one of the largest Town Deals that the government has agreed nationally and across 101 towns.
- 8.2 Cabinet approved the bid submission and Town Investment Plan (TIP) at the October 2020 Cabinet meeting. The process requires leadership of a Town Deal Board, with a private sector Chair, but the Council is required to undertake the role of Accountable Body for the bid and to be the organisation through which funding will flow.
- 8.3 The objective of the Town Deal Fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through:
- Urban regeneration, planning and land use
 - Skills and enterprise infrastructure
 - Transport and Digital Connectivity
- 8.4 The Capital Strategy sets the governance framework from which the Council as Accountable Body for the bid will ensure: good governance, transparency, public consultation (building on the Community Engagement Plan – May 2020), developing detailed and robust business cases, monitoring and evaluating projects, receiving and accounting for the funding allocation, and which Council approvals will be required in accordance with Financial Procedure Rules.
- 8.5 The business cases for each of the projects have now been approved by the Department for Levelling Up, Housing and Communities (DLUHC) – for the £37.5m Town Deal funding – and by the Liverpool City Region Combined Authority who are providing an additional £20m towards the Marine Lake Events Centre development. Procurement activity in relation to the projects has commenced and, subject to other relevant consents, they are moving towards the delivery phase with delivery of all projects currently anticipated by 2025/26.
- 8.6 Council also approved a contribution of £19.7m towards the Marine Lake Events Centre project. The Council's Treasury Management advisors have been consulted on the approach to the appropriate finance arrangements. The intention is to internally borrow in the short to medium term using surplus cash balances in order to reduce the associated interest costs to the Council. This will continue to be kept

under regular review with the advisors and any changes to this assumption, including any external borrowing requirement, will be reported as part of the regular treasury management updates to Members.

9 Non-Financial Investment Strategy

- 9.1 The Council's non-treasury investments consist of an Investment Property portfolio of over 179 properties. They delivered a return for the Council after deducting for the cost of maintenance, net income of £2.459m in 2021/22, which contributes towards the provision of services.
- 9.2 The investment property portfolio is fully owned by the Council and no outstanding loans are held against it. No new investment properties have been added for several years. Any future purchases of such assets will follow the procedures set out in sections 3 and 4.
- 9.3 All properties classified as investment properties are revalued on an annual basis as part of the Statement of Account process and valuations are externally audited. The value at 31st March 2022 was £32.338m. All investment properties are valued at greater than original purchase price and have hence produced an unrealised capital return.
- 9.4 The liquidity of the portfolio will depend upon the prevailing market conditions. However, access to funds is not considered an issue as the portfolio does not provide security against loans and is providing an adequate return.
- 9.5 Any loans made by the Council that will support the Core Purpose, will require a full business case including robust due diligence and will be approved in accordance with the Council's governance processes. Any loan granted will be within the Council's approved prudential indicators.

10 Treasury Management, Debt and Borrowing

Treasury Management

- 10.1 The Council has adopted CIPFA's revised 2021 Code of Practice on Treasury Management in public services which recommends the production of an annual Treasury Management Policy and Strategy documents. These documents are approved as part of the annual budget setting process and are monitored by the Audit and Governance Committee. The strategy document sets out in detail how the treasury management activities are to be undertaken in a particular year to comply with the Council's Treasury Management policy.
- 10.2 The Treasury Management Strategy details how the Council will manage its borrowing, investments and cash flow and therefore forms an important part of the overall Capital Strategy. The Capital Programme and the mix of funding sources determines the borrowing requirement of the Council, which will require management of the Council's cash flow to ensure that the Council can meet both its future revenue and capital obligations.
- 10.3 Table 7 below provides an overview of the Council's Treasury Management investments:

Agenda Item 7

Table 6: Treasury management investments in £millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Near-term investments	93.69	5.40	5.00	5.00	5.00
Longer-term investments	5.00	5.00	5.00	5.00	5.00
TOTAL	98.69	10.4	10.00	10.00	10.00

10.4 Further details on the approach to Treasury Management investments can be found within the Treasury Management Strategy and Policy.

Debt and Borrowing

10.5 If the Council is required to borrow funds, it can seek to support the capital programme through prudential borrowing from the Public Works Loan Board (PWLB). If this borrowing is not supported by government grant, it means that there will be a future charge to the revenue budget to pay back the principal amount borrowed plus accrued interest. As a result, robust financial appraisals are used to determine a future financial benefit from the initial investment, which will be able to fund the future charge to the revenue budget and potentially achieve further cashable savings or income generation, for instance an invest to save (or earn) scheme, strategic investment or major regeneration schemes.

10.6 An evaluation of funding options will be undertaken with external advisor support, thus ensuring the most advantageous position for the Council by securing the greatest value for money option to fund new capital schemes.

10.7 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

10.8 Due to decisions taken in the past, the Authority has £158m borrowing at an average interest rate of 3.89% and £76m treasury investments at an average rate of 3% as at 31 December 2022.

10.9 Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement:

Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Debt (incl. PFI & leases)	173.686	157.094	158.597	166.448	178.609
Capital Financing Requirement	233.130	232.864	236.071	237.969	245.453

10.10 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the table above, the Authority expects to comply with this in the medium term.

10.11 To compare the Authority’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to £10m at each year-end. This benchmark is currently £133.3m and is forecast to rise to £139.3m over the next three years.

Table 8: Borrowing and the Liability Benchmark in £ millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Outstanding borrowing	167.2	133.7	121.8	113.8	109.5
Liability benchmark	70.4	133.3	146.6	130.2	139.3

10.12 The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 9: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit - borrowing	182	185	194	207
Authorised limit - PFI and leases	6	5	4	3
Authorised limit - total external debt	188	190	198	210
Operational boundary - borrowing	157	160	169	182
Operational boundary - PFI and leases	6	5	4	3
Operational boundary - total external debt	163	165	173	185

10.13 In recent years, the Council has followed a policy of internal borrowing, whereby borrowing for the capital programme is deferred whilst the Council holds healthy cash balances. This is advantageous as it avoids cost of carry and reduces the overall borrowing costs. This position requires careful management of interest rate risk in conjunction with our treasury consultants.

10.14 The Council has regard to the Department for Levelling Up, Housing and Communities’ (DLUHC) guidance on the application of minimum revenue provision (MRP). The recommended MRP policy is summarised below:

<u>Category</u>	<u>Basis of MRP Calculation</u>
Supported Borrowing	Annuity Basis over 50 years (commencing from 1 April 2015)
Unsupported (prudential) borrowing	Annuity Basis – Calculated using the estimated life method

10.15 Standard asset lives applied to calculate MRP charge vary from 3 years for intangible assets to 50 years for land.

Agenda Item 7

Public Works Loan Board (PWLB)

- 10.16 Borrowing by local authorities from the PWLB has increased markedly during the last ten years, with many councils borrowing to fund the acquisition of commercial assets with the intention of generating an income stream from such assets.
- 10.17 Government wants to guard against councils taking advantage of low rates to purchase commercial assets, and where the anticipated income does not materialise, avoid the risk of taxpayers having to service the loan repayments.
- 10.18 Following a period of consultation, the government has issued revised lending terms for the PWLB and guidance to support councils to determine if a proposed project is an appropriate use of PWLB loans. The main features of the new lending terms for Councils intending to borrow from the PWLB are:
- Councils are asked to submit a high-level description of their capital spending and financing plans for the following three years, including expected use of the PWLB. Councils will be able to revise these plans in year as required.
 - Councils will be asked to provide details of the following:
 - how much they plan to spend each year in each of the following set of categories, which have been developed in consultation with the sector and cover all acceptable capital activity that can be funded via PWLB loans.
 - Service spending
 - Housing
 - Regeneration
 - Preventative; and
 - Treasury Management
 - a short description of the main projects in each of these categories covering 75% of the spending in that category
 - The Section 151 Officer or equivalent must provide assurance that the council is not borrowing in advance of need and does not intend to buy investment assets primarily for yield.
- 10.19 The decision over whether a project complies with the terms of the PWLB loan is for the authority's Section 151 Officer or equivalent. However, HM Treasury may intervene if it has concerns that issuing the loan is incompatible with HM Treasury guidance.

11 Liabilities

- 11.1 This section of the Capital Strategy covers the following:
- **Pension Liability** – this is an estimate of the net liability to pay pensions. This depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

- **Provisions** – Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
- **Contingent Liabilities** – A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Pension Liability

- 11.2 The Statement of Accounts shows a liability relating to the Local Government Pension Scheme Fund deficit (valued at £390.099m as at 31st March 2022). However, this is a notional figure that doesn't reflect the true position calculated as part of the Triennial Valuation in March 2022 which shows that the Council's element of the Fund is in surplus.
- 11.3 As at 31 March 2022 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £5.699m. The Council has budgeted to make these payments until there is no longer a liability.

Provisions

- 11.4 The Council's 2021/2022 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2022 is £21.354m. Sefton's share of the Provision as at 31 March 2022 is £21.140m.
- 11.5 A provision has also been made for insurance cover to enable certain known uninsured losses to be met centrally i.e. losses arising from the excesses that apply to the Authority's main insurance policies (Public Liability, Property, Employers Liability and Motor Insurance). The total value of the Provision as at 31 March 2022 is £3.845m.

Contingent Liabilities

Collateral warranty by the Council in favour of the Security Trustee (Prudential Trustee Company Limited)

- 11.6 The Council has given a number of warranties for up to 35 years from 30th October 2006 in respect of environmental pollution, statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

Agenda Item 7

Collateral warranty by the Council in favour of One Vision Housing Limited

- 11.7 The Council has given a number of warranties for up to 20 years from 30th October 2006 in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.
- 11.8 Contamination Costs: During 2011/2012, it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. Sefton has an Earmarked Reserve of £1.380m to cover potential costs associated with clearing the contamination. There is a potential further liability if the costs of clearing the contamination are greater than currently envisaged.
- 11.9 Merseyside Pension Fund - Contractor Admission Bodies: The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited and Agilisys Limited. The most recently notified value of the guarantees was nil for Sefton New Directions Limited and £1.077m for Agilisys Limited. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

12 Revenue Budget Implications

- 12.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget *	2025/26 budget
Financing costs (£m)	13.484	13.775	13.640	14.432	14.879
Proportion of net revenue stream	5.9%	6.1%	5.7%	5.9%	5.8%

- 12.2 Further details on the revenue implications of capital expenditure can be found within the Budget Report.
- 12.3 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Executive Directors of Corporate Resources and Corporate Services is satisfied that the proposed capital programme is prudent, affordable and sustainable. Further details can be found within the Robustness Report.

13 Risk Management

- 13.1 Risk management across the Council has been reviewed in a process led by the Chief Internal Auditor. A corporate risk register is in place, as are service area risk

registers. The final stage has seen operational, project and transformation risk registers developed.

- 13.2 Section 2 in the strategy describes the consistent approach to project management from concept stage through to full business case approval. The Project Charter has a risk section which means that consideration of risk and its mitigation is at the forefront throughout the project design and feasibility stage.
- 13.3 Risk management is embedded in project and programme boards. Live projects are subject to challenge in project board meetings from the Project Sponsor and Senior Responsible Officer. Significant risks will move on to Service and Corporate risk registers and be reported through capital scheme updates in the monthly budget monitoring report to Cabinet.
- 13.4 Treasury management risk is managed in line with DLUHC investment guidance principles of security, liquidity and yield. The Council's risk appetite for financial investments is detailed in the Treasury Management Strategy. The risk appetite is low, security and liquidity being the key principles underlying the investment strategy. The Treasury Team balance the risks associated with cash management, mitigating risks as much as possible to seek maximum financial return.
- 13.5 Treasury management activity will be reported to Audit and Governance via quarterly reports and an outturn report. Cabinet and Council receive a half yearly report and the annual outturn report.

14 Knowledge and Skills

- 14.1 The Council has a wide range of expertise to call upon, including professionally qualified legal, finance and property officers, to support the delivery of the Capital Strategy and Framework for Change.
- 14.2 There is commercial expertise across the Executive Leadership Team and Senior Leadership Board and a commercial approach is being embedded across the organisation.
- 14.3 Recent changes to the senior management structure have been made to better meet the resource requirements to support Framework for Change going forward.
- 14.4 Support services, including Finance, Legal, Property and Business Intelligence and Commissioning, are regularly reviewed with a focus on providing the right support and officers with the necessary skills, to work with the frontline service and project managers. Where gaps in knowledge are identified the relevant training is co-ordinated for individuals or teams. Use is made of external advisors and consultants that are experts in their field where appropriate.
- 14.5 The Capital Programme and Treasury Management Strategy is managed by a team of qualified accountants who follow a programme of continual professional development, attending tailored courses offered by the Council's retained treasury consultancy.
- 14.6 As part of the Treasury Management Strategy it is a requirement that all members involved in treasury management understand this complex area. Annual training is

Agenda Item 7

open to all members and is delivered by external treasury consultants. A record is maintained of member attendance.

Agenda Item 8

Report to:	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services) Cabinet Council	Date of Meeting:	7 February 2023 9 February 2023 2 March 2023
Subject:	Robustness of the 2023/24 Budget Estimates and the Adequacy of Reserves – Local Government Act 2003 - Section 25		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To comply with statute, the Chief Financial Officer is required to report to Council prior to the approval of the budget and the setting of the Council Tax, to give assurance that the budget is robust and that there are adequate reserves and balances. The report is based on the proposals presented at this meeting.

Recommendation(s):

The Local Government Act 2003, (section 25 as amended) requires the Chief Financial Officer to report formally on the following issues:

- a) An opinion as to the robustness of the estimates made and the tax setting calculations; and
- b) The adequacy of the proposed financial reserves.

The Council is requested to have regard to the matters raised in this report during the final stages of determining the budget for 2023/24.

Agenda Item 8

Reasons for the Recommendation(s):

The Local Government Act 2003, (section 25 as amended) requires the Chief Financial Officer to report formally on the issues contained within this report.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

Decisions taken as a consequence of this report will influence the Council's Revenue and Capital Budgets and Council Tax for 2023/24 and thereby shape the Council's financial plan for future years.

(B) Capital Costs

See above

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

None

Legal Implications:

The Council is required to set a Budget and Council Tax level on or before 10 March 2023 and must consider the comments of the Chief Financial Officer before that decision is taken.

Equality Implications:

There are no equality implications.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N

There are no climate emergency implications relating to this report.

Contribution to the Council's Core Purpose:

Effective Financial Management and the development and delivery of sustainable annual budgets support each theme of the Councils Core Purpose.

Protect the most vulnerable:

See comment above

Facilitate confident and resilient communities:

See comment above

<p><u>Commission, broker and provide core services:</u> See comment above</p>
<p><u>Place – leadership and influencer:</u> See comment above</p>
<p><u>Drivers of change and reform:</u> See comment above</p>
<p><u>Facilitate sustainable economic prosperity:</u> See comment above</p>
<p><u>Greater income for social investment:</u> See comment above</p>
<p><u>Cleaner Greener:</u> See comment above</p>

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of the report (FD 7105/23). The Chief Legal and Democratic Officer has been consulted and his comments are incorporated in the report (LD 5305/23).

(B) External Consultations

None

Implementation Date for the Decision

Following the Budget Council Meeting.

Contact Officer:	Stephan Van Arendsen
Telephone Number:	Tel: 0151 934 4081
Email Address:	Stephan.vanarendsen@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

Agenda Item 8

1. INTRODUCTION

- 1.1 This report has been prepared in accordance with the statutory requirements of the Local Government Act 2003 which requires the Authority to report to Members on the robustness of budget estimates, the adequacy of proposed reserves and the development of longer-term budget plans.

2. ROBUSTNESS OF BUDGET ESTIMATES

Introduction and Current Context

- 2.1 The budget for 2023/24 has been developed whilst the Council deals with the ongoing impact of the prevailing economic conditions in the United Kingdom, namely high inflation, rising interest rates and a cost-of-living crisis. The Council set a robust budget for 2022/23 in March 2022 however as economic conditions changed considerably from that point, it quickly became apparent that the management of that budget would be a significant challenge through the year. This has been reported to Cabinet and Council throughout 2022/23 with temporary funding being used to meet unforeseen budget pressure of approximately £20m during the year arising from financial pressure in Children's Services, from the local government pay award and rising energy costs.
- 2.2 Neither these economic conditions, nor their impact, were reflected in the three year Comprehensive Spending Review from central government for 2022/23 to 2024/25 where an assumed inflation rate of approximately 3% was forecast – this is some way from the 10.7% rate in November 2022 with the forecast rate not expected to reduce significantly until the middle of 2023, which is giving councils a total rate of inflation of towards 20% going into 2023/24 from that previously assumed. This pressure arising in the three areas stated has had two impacts on the development of the 2023/24 budget. Firstly, the majority of this will need funding on a permanent basis and secondly any reserves and balances available to the Council have been used to meet this pressure in the current year and therefore mean they are not available to support the 23/24 budget if cost pressures emerge in the year that are not contained within the proposed budget package. This increases the need to ensure that the proposed budget for 23/24 is robust, is delivered and that senior leaders in each service area within the Council manage within the resources that are available.
- 2.3 As with the two previous budgets which were developed within the pandemic and with one-year financial settlements being received from central government, which are a clear barrier to effective long term financial planning, developing a robust set of budget estimates for the financial year 2023/24 has been incredibly difficult. The risk profile facing the Council has changed considerably during the last 12 months and due to the pressure on the budget from Children's Services, pay awards and energy costs, savings plans/budget proposals have had to be developed for this forthcoming year. As a result, as stated budget managers must manage within the available resources that they have in addition to ensuring that the savings proposals in their areas are delivered in a timely manner. With such economic volatility this will be a challenge, but it is a challenge that must be met, especially in Children's Services.

Development of Core Council Budget

- 2.4 In developing the core Council budget due consideration has been given to the following:-
- Engagement and ownership of the budget and its planning by the Council's Executive Leadership team and Strategic Leadership Board.
 - Ongoing financial pressure from 2022/23 that will continue in 2023/24.
 - Additional required budget growth driven by demand that is required in key services.
 - The funding that will be made available to the Council via central government as detailed in the Local Government Finance Settlement, in addition to that which can be raised via Council Tax; and
 - The deliverability of budget / savings proposals that are required in order that a balanced budget can be set.
- 2.5 As stated, the Council budget for 2022/23 has been under extreme pressure as a result of the change in economic conditions within the United Kingdom, especially inflation and the financial issues arising within Children's Services as a result of increasing accommodation costs and the dislocation in the Social Worker agency market. It should also be noted that the Adult Social Care budget that has historically been underspent on an annual basis is also under pressure due to demand and it is currently forecast that this will no longer deliver that underspend to the wider budget either in the current year or future years.
- 2.6 As a result of each of these, the accompanying budget report details how they have affected the Council's Medium Term Financial Plan assumptions, and the additional investment that will be required.
- 2.7 In respect of Children's Social Care, the Council has invested a significant sum in recent budget rounds, with the annual approved budget increasing from £33m to £52m between 2018/19 and 2022/23. It is proposed that in 2023/24 that a further £17.9m (plus £3.2m of temporary funding) be invested to take account of pressure from 2022/23 and further financial growth that will be required for the next financial year. The Department for Education Commissioner recommended that the Council's budget be aligned to the Children's Services Improvement Plan, which is monitored by Overview and Scrutiny Committee, and the financial detail for the next two years reflects that, with all budget estimates having been developed and signed off by the Executive Director of Children's Services. Further work will commence over the next three months to develop a longer-term budget plan that will feed into the next Medium Term Financial Plan and reflect the requirements of the service within the context of the overall financial envelope of the Council.
- 2.8 The Children's Social Care Budget is substantially overspent in 2022/23, due to pressure on the workforce budget through the increased use of agency staff and managed teams, inflation on accommodation costs and the wider increase in costs for this support from external providers. Significant work has therefore been undertaken to understand the future years' impact so that this can be funded to meet a 'steady state' and also what additionality is required to support the service. This additionality is focussed on ensuring the workforce is in place to deliver the improvement via investment in the social worker academy and that provision for

Agenda Item 8

agency support where vacancies exist is also available. Similarly additional investment is proposed to support the provision of inhouse accommodation to support children and further budget provision for external accommodation if required. There are other measures however that also need to be taken and which have been agreed in order that the 2023/24 budget is balanced and that includes any staff on temporary funded contracts leave the Council when this expires and any staff who are in unfunded posts also leave the Council before April 2023 as they are posts that are not budgeted for, in addition to determining how the agency budget will be utilised particularly in respect of the managed teams that are currently within the service. This has also been agreed by the Executive Director of Children's Services. This service is the one that poses the greatest financial risk to the Council's financial sustainability and whilst it is recognised that good children's services deliver value for money, hence the further additional investment in the service, it is essential that the principles that have been agreed for this budget in 2023/24 are followed as there is no flexibility within the budget to provide further support. The Council cannot financially accommodate an overspend similar to that being experienced in 2022/23 in Children's Services as the resources are not there to support it and it would compromise the financial sustainability of the Council.

- 2.9 Similarly Adult Social Care is now facing budget pressure with previous years financial underspends no longer forecast. Based on National Living Wage changes and inflation, the budget has provision for £7.5m in each of the next two years for increases in provider fees and the outcome of the annual review of these will need to be contained within this budget, which is being supported by the proposed Adult Social Care precept that will contribute £3m. The Government have also announced that a ring-fenced Adults Social Care grant will be paid to local authorities- for Sefton this amounts to £2.4m for 2023/24 and will be used to fund the pressure being experienced in the budget at this time. As with Children's Services it is important that a long-term review of the demand and demographic pressure facing Adults Social Care is conducted over the next six months in order to inform future medium term financial planning. There are savings proposals also included within the budget report for the service and again these have been signed off by the respective Executive Director as being deliverable in year.
- 2.10 These two budgets account for over 65% of the Council's revenue budget for services, and whilst they are under pressure and demand can be volatile, they need to be tightly managed during 2023/24 with all budget proposals being agreed and signed off as there is no flexibility in the rest of the Council's budget to meet any in- year pressure that may materialise. In the event that additional financial support is required this would have to come from corresponding savings elsewhere in the Council's approved budget.
- 2.11 The financial pressure facing the Council following a review of all existing budgets and Medium-Term Financial Plan assumptions cannot be met with the funding allocated by central government when added to the Council Tax options available to the Council. As such a set of budget / savings proposals have been identified for approval in the Budget Report- these have been signed off as being deliverable by Executive Leaders and the Strategic Leadership Board and the budget reflects that.

Agenda Item 8

- 2.12 As part of the budget development it is considered that two elements of financial pressure maybe temporary in nature. These relate to agency costs in Children's Social Care and energy costs. In respect of agency costs, the budget for 23/24 has been agreed by the Executive Director with a far greater reliance currently being placed on this cohort of staff than would normally be required. This will be delivered through either a traditional agency model or 'managed teams'. Following substantial additional investment by the Council, the service has developed a social worker academy and is progressing with international social worker recruitment- these two routes could provide up to 50 additional permanent social worker staff over the first 4-6 months of the financial year. This will significantly reduce the agency cost hence treating an element of this on a temporary basis, with ongoing recruitment to the social worker academy planned.
- 2.13 With regard to energy costs , there is no certainty as to the price that will be payable under the Council's framework providers next year nor whether the central government support scheme will continue into next year- it is estimated that the additional cost before reduced usage and any further support will be £4.2m to the Council- as stated it is expected that this cost will reduce and / or the government scheme will continue. As a result, temporary provision of £4.2m has been made. In the event that it is considered that either of these budgets require longer term support they will need to be built into the Council's base budget with funding allocated or corresponding savings being required.
- 2.14 As occurs each year, in developing this budget all Medium-Term Financial Plan assumptions have been reviewed and are considered prudent. However, there are some where the final sum is yet to be identified, for example the pay award - these will be monitored, and any variation reported to Members in due course. With the prevailing economic conditions, the volatility that exists within the budget for next year cannot be underestimated, especially as additional central government financial support for 23/24 does not reflect the full implications of the growth pressure nor inflation requirement facing the Council. As a result, the budget will need proactive management to contain expenditure within the approved levels.
- 2.15 Members will recall that in terms of understanding the pressure from the current year that will require funding in the new financial year a position is taken as at the end of November. This position may vary between the time of establishing the budget and year end, especially in respect of Children's Services. As such the first monitoring report of 2023/24 will need to identify any emerging issues and required remedial actions.
- 2.16 For 2023/24, the Council has received a one-year financial settlement, although the Local Government Finance Policy Statement 2023/24 and 2024/25 that was announced on 12 December 2022 does provide additional information relating to 2024/2025 funding that allows for some informed assumptions to be made relating to some funding streams in that year. As a result, within this settlement the Council has been provided with certainty around the funding it will receive during 2023/24 to support the core Council budget, but there is no certainty as to what funding will be received beyond that period.
- 2.17 As can be illustrated in this section of the report, the budget has been developed by the Executive Leadership Team and Strategic Leadership Board which

Agenda Item 8

supports the objective of ensuring that the budget presented for Member approval is both robust and has ownership.

Maintaining Service Delivery

- 2.18 As has been previously reported, the scale of the budget shortfall that the Council has faced over the last twelve years has led to both service reductions and a transformational approach to all areas of activity in order to ensure that the Council's core purpose that was derived from the Sefton 2030 vision can be delivered. For 2023/24, the key challenge faced by the Council will once again be in respect of its demand led budgets, especially Children's Social Care, Adult Social Care and Home to School Transport. Substantial budget growth to reflect the view of what funding is required to deliver these services and the ongoing pressure being faced has gone into each of these areas for next year and as they make up the largest part of the Council's budget it is critical that these services are managed within the resources available
- 2.19 As a result of this prioritisation, all other remaining Council services are not receiving growth and the focus of staff savings through the freezing of vacant posts and proposed savings are in these areas. As a result, the pressure in these areas both operationally and financially will increase and again will require robust financial management and reporting to deliver services within the resources available.

Inflation and Annual Cost Increases

- 2.20 The Council, as in previous years, has provision for specific allocations to provide funding for contractual and other inflationary pressures such as annual pay increases. This reflects the latest information available having conducted a Council wide review of existing contracts and the likely impact of future pay negotiations. Within this budget package however there continues to be no provision for general price inflation. Due to the severity of the financial challenge facing the Council, services will be required to manage any such pressure within their existing cash limits. The exception to this within the budget package is that provision has been allocated to support the increased cost of ICT contracts- the cost of the Council's major ICT systems has increased significantly in recent years and cannot be contained within existing budgets. With inflation currently in excess of 10% nationally this approach in effect reflects a budget cut for these services and expenditure will need to be managed within this reduced sum available.

Financial Management

- 2.21 The Council has an embedded process with regard to its Financial Management, and its reporting strategy reflects the monitoring undertaken by the Executive Leadership Team, Strategic Leadership Board, budget holders and the central Finance Team. Monthly reports are considered by Departmental Management Teams, Strategic Leadership Board and Cabinet. Overview and Scrutiny Committee also have a standing agenda item in respect of capital and revenue monitoring.

- 2.22 To support this approach a continual training offer is available to all budget holders, schemes of delegation for each service are reviewed and where appropriate updated on a quarterly basis and new budget monitoring forecasting system is now in place. The Council's Financial Procedure Rules were last updated and approved by Council in January 2023 following review by Audit and Governance Committee.
- 2.23 It has been reflected both within this report and also the wider budget report, that the level of financial risk facing the Council and indeed all local authorities is increasing significantly due to the ongoing pressure on demand led budgets and as a result of the economic conditions within the UK and that the budget estimates contained for the Council over this Budget Plan period reflect the Council's ambition to deliver services that align with its 2030 vision, core purpose and ensure that it remains financially sustainable.
- 2.24 In order to manage these risks and objectives, the Executive and Senior Leadership Teams and Members will need to monitor each element of the Council's budget and demand for services forensically and in accordance with best practice in order that this risk can be mitigated as far as possible. Due to the level of risk that now exists within all areas of the Council's budget, but especially Children's Services, this monitoring will be of even greater importance, as will the speed that decisions are made, in order to implement mitigating actions that will ensure financial sustainability.

Medium Term Budget Planning and Transformation Programme

- 2.25 Since 2016 the Council has had a framework for change transformation programme with financial sustainability at the centre of it. The second iteration of this has now come to an end (Framework for Change 2020) and a new transformation programme is currently in development and will be presented to Members in due course (Members will recall that at Cabinet in September 2022 it was also agreed that the Council Vision would also be reviewed). This will focus on two areas, Growth and Strategic Investment and the continued transformation of key services that reflect political priorities due to the importance to residents and those with the greatest financial impact- once again this be the delivery vehicle for financial sustainability for the Council. As a result, the detail of this will be aligned to the Council's next Medium-Term Financial Plan. This was one of key findings from the LGA revisit in 2022.
- 2.26 As was stated previously, the Council has been provided with a one-year financial settlement for 2023/24, although the Local Government Finance Policy Statement 2023/24 and 2024/25 that was announced on 12 December 2022 does provide additional information relating to 2024/2025 funding that allows for some informed assumptions to be made relating to some funding streams in that year. Therefore, there is no certainty as to what funding will be received beyond that period. The budget report provides for a current medium-term financial estimate for the next three years that will need to be updated for the requirements of Children's and Adults Social Care following the respective services completing their forecasting work in addition to key budget assumptions around central government funding- with the overall economic picture for the United Kingdom not looking favourable at present the planning for the next three-year period should start immediately and be reported into Members together with an updated Medium-Term Financial Plan

Agenda Item 8

in the Autumn of 2023 in order that appropriate consultation can take place and any proposals are in place before April 2024.

CIPFA Financial Resilience Index and the CIPFA Financial Management Code-

- 2.27 The financial risks facing the Council in 2023/24 and beyond have been set out within this report and the wider Budget Report and as would be expected after the last decade, as a result of the pandemic and the current economic uncertainty, this level continues to rise. This is similar for most local authorities.
- 2.28 Over recent years, it has been widely publicised that a number of these authorities have encountered real financial difficulties with some issuing s114 notices and others requiring other elements of government intervention and support. It is important that the Council learns the lessons from these experiences elsewhere to inform its own approach to decision making and financial sustainability. To support this, CIPFA produce both a resilience index and financial management code that aim to evaluate a council's financial resilience and ensure that financial management is of the required standard across the organisation.

CIPFA Financial Resilience Index

- 2.29 CIPFA developed its Financial Resilience Index which is intended to assist local authorities by identifying various indicators of potential financial stress for the organisation. As reported in previous years, there are 15 indicators which are compared to other local authorities - 7 of these indicators relate to the level of reserves and balances held compared to net revenue expenditure, 3 relate to the proportion of expenditure on high-risk services (e.g., Adult and Children's Social Care) and 5 on the reliance of specific types of funding (Government Grants, Council Tax and Business Rates).
- 2.30 At this time, the Index has yet to be updated to reflect the position as at the end of 2021/22. Therefore, the comments below relate to the position as at the end of 2020/21 published at the beginning of 2022.
- 2.31 When compared to other metropolitan district councils Sefton is classed as a medium risk (this being a relative conclusion when the overall financial environment within which the Council is operating is considered) in relation to its budget flexibility, i.e., the proportion of its budget spent on high-risk services, where the ability to reduce overall expenditure on these services is less due to rising demand, is average compared to other local authorities. However, following significant additional investment in recent and future years in Children's Social Care, this would now be classed as a high-risk area and presents challenges with regard to budget flexibility.
- 2.32 Sefton compares favourably in that it is relatively less reliant on grant income, being more reliant on Council Tax income as an overall percentage of its funding.
- 2.33 However, whilst good progress has been made in increasing the level of General Balances over recent years which have moved in a positive direction, the Index shows that Sefton is at a higher risk of financial stress (relative to others) due to

its overall level of reserves (both General Fund Balances and Earmarked Reserves) at the end of 2020/21 being relatively lower than many other metropolitan councils. Therefore, it is important that an appropriate level of reserves is maintained to mitigate against this risk.

CIPFA Financial Management Code

- 2.34 In addition to the Financial Resilience Index, CIPFA have also developed a Financial Management (FM) Code. This FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities.
- 2.35 The Code is based on establishing Principles of Good Financial Management with these being translated into financial management standards. Each local authority has to then detail how it meets these standards and what improvements are required in order to ensure compliance.
- 2.36 The Council's finance service completes an annual self-assessment of compliance with the Code that includes input from the Strategic Leadership Board to reflect that financial management and good practice needs to be embedded across the Council and at all levels of the organisation. The output from the most recent review was presented to Audit and Governance Committee in June 2022 and this highlighted that many areas of good practice in financial management are evident across the organisation. An action plan to further improve compliance with the Code was also presented to Audit and Governance Committee and this will be shared with the external auditor as part of their value for money assessment.
- 2.37 Performance against the action plan is being monitored and the output will be presented to Audit and Governance committee and the external auditor in due course.

Management of Risk

- 2.38 The Council manages risk on an ongoing basis at all levels of the organisation. In doing so it has developed policies, processes and systems that reflect its internal governance arrangements and the constitution, these include Financial Procedure Rules, Contract Procedure Rules, and clear guidance on when professional advice should be sought, e.g., with regard to contracts. As far as possible this allows the Council to anticipate risks as they emerge. These processes are supported by the Council's Internal Audit and Risk Section, the annual review of Corporate Governance and the completion of the Annual Governance Statement.
- 2.39 Given these controls and processes, the likelihood of unanticipated budget issues has been reduced as far as possible, however as outlined in this document and the budget report, the financial risks facing the Council both in this year and future years continue to increase, especially as a result of the current economic conditions and demand for core services where financial control of expenditure is sometimes limited. This is particularly the case for Children's Services. In the event that these have a material impact on the Council's budget, a remedial action plan will be required in year- this is becoming increasingly difficult to deliver

Agenda Item 8

therefore the role of members in taking efficient and effective decisions informed by officer proposals will be key.

- 2.40 The Council, in addition to its monthly reporting process, now has an embedded process whereby it conducts, first quarter, mid-year and three-quarter year performance reviews that bring together finance, performance and risk information. These are designed to enable members and officers to gain assurance on the deliverability of a sustainable budget and visibility of any other emerging issues.

Capital Strategy and Strategic Investment

- 2.41 As part of the reform process of local government finance, the Council now receives a modest level of capital grant to support investment. This budget provides for the utilisation of this funding in 2023/24 and an indicative plan for future years.
- 2.42 The Council, as stated previously, has identified that its economic growth and strategic investment workstreams are key to supporting its 2030 vision and core purpose in addition to financial sustainability. With the reduction in capital resources that are available from central government, the Council will continue to explore opportunities and methods to generate funding to support these activities over the next 3-5 years. This approach is reflected in the budget report. Where a proposal to generate or maintain an income stream is made, the use of prudential borrowing will be considered, and in addition the use of capital receipts from asset maximisation, will be a key feature of the investment strategy. The recent reports to Cabinet and Council illustrate this and an updated Capital Strategy is included within the reports presented to members as part of this budget package
- 2.43 The Council, through its Treasury Management Strategy, uses a range of prudential indicators to manage and control the impact of these capital investment decisions. This will ensure that the risk and debt profile of the Council is appropriate based upon its financial standing and performance and that repayment is affordable.

External Advice

- 2.44 The Council is supported in its financial activities by its External Auditor, Ernst and Young LLP and its Treasury Management Advisors, Arlingclose. Any material changes to Council policy, budget decisions or capital investment proposals will be undertaken in consultation with these organisations. From the 2023/24 financial year Ernst and Young will be replaced as the Council's external auditor by Grant Thornton.

3. RESERVES STRATEGY 2023/24

- 3.1 The Council holds a range of reserves that it uses and holds for different purposes. This report considers each in turn.

General Fund

- 3.2 The General Fund Reserve (General Balances) is the Council's primary reserve. It exists to provide the Council with a contingency against unexpected events which could otherwise undermine the Council's sound financial standing. The fund should only be utilised to address short-term issues and should not be relied upon to finance ongoing budget deficits. Where it is used in the short term then this should be part of a plan to return it to a long-term equilibrium position in the short to medium term-ideally in the next financial year.
- 3.3 Determining the level of General Fund Reserve forms a key part of the Council's medium-term financial strategy and will be informed by an assessment of the risks presented by:
- State of the economy (and its impact on Council costs / funding)
 - Knowledge of future changes to the Council's responsibilities and funding allocations
 - Specific risks relating to the delivery or changes in Council services
- 3.4 A recognised benchmark minimum level that is used by authorities is for the General Fund Reserve to be maintained at a minimum of 5% of the Council's net budget. This represents a level that should be held for a 'normal' level of risk faced. However, this rate will not take account of variable factors such as the economic climate, government policy nor local factors, e.g., Children's Services. Therefore, alongside the normal risk the Council also needs to make an assessment of abnormal risks it may need to fund. These include the following elements.

National Considerations

- 3.5 **Impact of economic climate on Council costs** - the current climate, especially as a result of rising inflation and the cost-of-living crisis, will prove challenging in 2023/24 with the potential for substantial cost increases for goods and services procured or commissioned by the Council. In addition, there is the probability through recession for further business closures, lower than normal income levels from both Council Tax and sales, fees and charges and a shortage of alternative funding sources from partners compared to current budget assumptions. As Council funding is now more dependent on the performance of the local business sector and the raising of Council Tax it is more exposed to the consequences of national and local economic conditions as the Budget Report reflects.
- 3.6 **Potential reductions in Government funding** – the level of funding that it is anticipated that the Council will receive in 2023/24 reflects the Local Government Finance settlement finalised in late January 2023. In addition, the Council has been notified of other grant allocations for 2023/24. These funding levels are included in the Budget Plan.

Local Considerations

- 3.7 **Planned changes in service delivery methods / contracts** – The Council

Agenda Item 8

continues to review the way in which it delivers services in order to ensure best practice and value for money for its residents- this will be especially true in respect of Adults and Children's Social Care in 2023/24. In addition, the Council's new and emerging transformation programme will propose significant changes as to how services are provided. This will result in changes to working practices, commissioning relationships and governance arrangements. As these become embedded within the organisation this should reduce the risk to the organisation however there is still a degree of risk that needs to be allowed for.

- 3.8 **Impact of Rising Demand for Services** – The Council continues to face increasing demand for its services. This was the case pre pandemic and this has increased further on the rise of COVID-19. Investment has been included in the 2023/24 budget, however as discussed in this report there is still significant risk that needs to be allowed for, particularly in respect of Children's Social Care, Adult Social Care and Home to School Transport. Based on the financial position as at the end of November 2022, these budgets will be re-aligned for 2023/24 where appropriate, however as discussed in this report there is still significant risk that needs to be allowed for.
- 3.9 **Balance Sheet Risk-** As reported to Cabinet, the Council has areas of activity for which a balance is held on the Balance Sheet, two such issues being in respect of the High Needs Budget and Sandway Homes Limited. The financial issues, implications and risks associated with these have been reported and if they materialise will require financing strategies to address them.

Budget Setting Assumptions

- 3.10 **Sensitivity of budget assumptions** - The Council's budgets for 2023/24 are underpinned by a number of assumptions regarding the prevailing rates of inflation, interest earned and cost growth. While these estimates are believed to be prudent some costs are outside the Council's control, particularly in the medium-term.
- 3.11 **Significant earmarked reserves** – The Council maintains funding in earmarked reserves. These include reserves for future potential insurance claims and funding that Members have set aside for specific purposes. The presence of these reserves reduces the scale of risk the General Fund has to guard against. It should be noted that these reserves have been set up for specific purposes and as such their use will be in accordance with that approved. These reserves are reviewed as part of each budget cycle and the annual closure of accounts process.

Management / Member Actions

- 3.12 **Clear Corporate / Member messages** - The Council and its senior management have very clear expectations regarding the delivery of a 'balanced and sustainable budget' and have instigated appropriate monitoring and reporting processes to ensure any emerging pressures are promptly addressed. This reduces the risk to be managed through the General Fund.

Agenda Item 8

3.13 **Three-Year Medium-Term Financial Plan and One-year budget** – Given the funding uncertainty facing the Council and the increased demand for Council services, the Council has developed a three-year Medium-Term Financial Plan and is currently developing a new transformation programme, with financial sustainability at its core. These plans will allow the Council to develop proposals that will meet the budget requirement over the medium-term.

3.14 A summary of the adjustments made for the above factors is set out in the table below.

Factors Considered	Risk Impact % of net budget	Impact on General Fund Balances
		£m
Normal Risk Level (minimum level)	5.0%	13.0
<u>National Considerations</u>		
Impact of economic climate on Council costs and Collection Fund income	2.5%	6.5
Potential reductions in Government Funding	1.0%	2.6
<u>Local Considerations</u>		
Delivery of planned savings	0.5%	1.3
Financial risk associated with Children's Social Care	2.0%	5.2
Balance Sheet Risk -High Needs Budget, Sandway Homes Limited	2.0%	5.2
<u>Budget Setting Assumptions</u>		
Sensitivity of budget assumptions	-1.0%	-2.6
Earmarked balances	-1.5%	-3.9
<u>Management / Member Actions</u>		
Clear corporate / Member messages	-2.0%	-5.2
Three-year MTFP and new transformation programme	-2.0%	-5.2
Total Abnormal Risk	1.5%	3.9
Total Risk	6.5%	16.9

3.15 This shows that a risk adjusted assessment of the required level for the General Fund in 2023/24 should be in the region of £16.9m. A range of £1.0m is advised around this figure so General Fund balances between £15.9m and £18.9m would be considered prudent.

3.16 The Council is forecast to start 2023/24 with a General Fund balance of £11.991m. As a result, it is considered that the balance available to the Council is

Agenda Item 8

below that considered prudent when compared to the risks faced. The draft budget for 2023/24 includes a contribution to General Balances of £3.400m funded from the net Council Tax / Business Rates surplus declared for 2023/24. This will increase General Balances to £15.391m –still below the level considered prudent compared to the risks faced (however, it should be noted that the budget includes £1.023m to be carried forward as General Balances to offset anticipated one-off costs in 2024/25 – these could also be drawn on if required during 2023/24). It is therefore recommended that the reserves strategy of the Council be re-visited as part of the next Medium-Term Financial Plan. This analysis reflects that there is no surplus funding available to support the current budget nor meet budget pressure in 2023/24 thereby re-enforcing the requirement for budget holders to deliver services within the approved budget.

Earmarked Reserves

- 3.17 Unlike the General Fund, earmarked reserves are held for a specific purpose. These purposes may be determined by the Council to coincide with its policy objectives, dictated by statute (e.g., schools funding) or agreed with partners who also contribute to the reserve.
- 3.18 Where the decision to set up a reserve rests with the Council, consideration needs to be given as to the benefits of holding an earmarked balance. The Council holds earmarked reserves separately from its General Fund to meet a number of distinct aims.
- Strategic Reserves - In accordance with policy decisions, funding may be set aside and ringfenced for the benefit of a particular service or project ensuring that there is funding to take the activity forward as planned. This can also include general support to the budget.
 - Committed Reserves – Where the Council makes a decision that commits it to incurring additional costs in the future, it can set aside the funding necessary to meet that cost when it arises, ensuring that the costs of current decisions are recognised at the point that decisions are made and do not become a burden on future budgets.
 - Uncommitted Reserves – Where the Council is aware of an issue that may incur additional costs in the future, it can set aside the funding necessary to meet that cost if and when it arises, ensuring that the potential costs of these issues do not become a burden on future budgets.
 - Restricted Reserves – The Council sometimes receives contributions from partners or has to set aside its own funding in a way that restricts where it can be spent in the future. These reserves can only be used to support eligible expenditure which may be restricted to a particular place, activity or service.
 - Temporary Reserves – These are used to phase out timing differences between when the Council (or another body) funds expenditure and when it is incurred.

Agenda Item 8

- 3.19 The current and anticipated balances on each of these classes of earmarked reserve are shown below.

	April 2022	Estimated 31 March 2023
	£m	£m
<u>Earmarked Reserves</u>		
- Strategic Reserves	-15.472	-14.583
- Committed Reserves	-10.948	-10.948
- Uncommitted Reserves	-3.077	0.000
- Restricted Reserves	-1.921	-2.042
- Temporary Reserves	-49.835	-16.364
Total Earmarked Reserves per Statement of Accounts	-81.253	-43.937

- 3.20 The benefits of holding earmarked reserves needs to be weighed against the costs of doing so. Every discretionary earmarked reserve ties up funds that may otherwise be available to fund the core activities of the Council. Each reserve also carries with it an administrative overhead as they will need to be maintained, monitored and reported on.
- 3.21 Of the 53 existing earmarked reserves (excluding unutilised grants and contributions), 29 are to be retained over the medium-term or beyond. Each of these reserves will be subject to a regular monitoring process to ensure they remain relevant and are achieving their stated objectives. The remaining reserves held are expected to have fulfilled their purpose within the planning period and will be closed at that point. Any surplus funding on these reserves on completion of proposed activities will be appropriated to the General Fund or returned to the original funding source.
- 3.22 It is important that the Council continues to monitor these reserves throughout the year and when required establishes reserves for specific activities or releases funding that is no longer required to be held. This needs to reflect the diverse nature of activity that the Council is engaged in, including commercial activity.
- 3.23 Within these reserves the Council currently holds £1.750m to support the cost of school closures where a school transfers to academy status or closes with a financial deficit.
- 3.24 Similarly, the Council currently has a deficit within its High Needs Budget. This is estimated to be £18.1m at the end of 2022/23 and is forecast to rise again in 2023/24. As this is a budget funded by the Dedicated Schools Grant (DSG), this deficit will be held as an earmarked reserve. The clear guidance from both the Department for Levelling Up, Housing and Communities and the Department for Education has historically been that that the Council cannot use its General Fund to meet this cost or balance.
- 3.25 A substantial number of councils across the country have large High Needs deficits. As a result, work has now commenced led by Central Government across the sector to try and move councils to a financially sustainable position in

Agenda Item 8

respect of these budgets. Some councils, who have the largest deficits, are receiving direct central government intervention whilst some, including Sefton, are now on the Department for Education led Delivering Better Value Programme - this work has now commenced with completion of the majority of the diagnostic and recommendations due by May 2023. The key financial risk however facing the Council is two-fold. Firstly, the deficit continues to rise at over £3-4m per year. This is not financially sustainable and must be reduced at the earliest opportunity and it is recommended that the ambition for the service should be for this to be within 1-2 years. There is no indication, and it should not be assumed, that these deficits will be written off by central government based on information received, therefore in Sefton this needs halting in the short term not over 4-5 years.

- 3.26 The second key issue and risk is that a statutory override has been in place for these deficits for a number of years and as such a deficit balance has been able to be carried forward each year on the Council's Balance Sheet. Central Government have advised that this is to continue for the next three years - i.e., up to March 2026. This is a key medium-term financial risk as the issue then becomes how the deficit should be met at that point. As stated, the high needs deficit has always been seen as a DSG issue and the Council continues to state that this should be the case, therefore if the override is removed the deficit would need to be funded from the DSG. Whilst there is no indication at present that this is proposed, there is the risk that central government will remove the statutory override in 2026 and request councils to fund any deficits- it can be seen that due to the substantial increase in the deficit in the last three years, the Council does not have the reserves to meet this nor the flexibility in the current revenue budget to meet such a deficit. As a result, depending on central government guidance, this could present a significant risk to the financial sustainability of the Council. This reinforces the continual need as has been agreed and has commenced for the Assistant Director of Children's Services (Education) to report to Members the measures that will be introduced as soon as possible to reduce the increase in the annual deficit, the cumulative balance and also be clear when it can deliver the service within annual allocations / budgets- the quarterly reports to both Cabinet and Council should do this and it is essential that a clear pathway and forecast is articulated that evidences this, otherwise the financial risk to the Council will increase exponentially.

Capital Reserves

Capital Receipts Reserve

- 3.27 The Council retains a capital receipts reserve to finance future capital expenditure. This reserve is financed by capital receipts set aside on the disposal of land, buildings and other assets as well as amounts received from One Vision Housing relating to the Council's share of Right to Buy receipts.
- 3.28 The nature of this reserve determines that the balance will vary with the timing of the receipts and the Council's capital schemes that the receipts are being used to fund. The balance at the end of 2022/23, and therefore the opening balance for 2023/24 is estimated to be in the region of **£6.3m**.

Unapplied Capital Grants and Contributions Reserve

- 3.29 The value of this reserve relates to capital grants and contributions received that have yet to be utilised to fund ongoing capital schemes. The balance at the end of 2022/23 is estimated to be **£23.9m**. This funding will be utilised in future years. However, additional grants and contributions will be received that won't be fully utilised in the years they are received so will remain in the Reserve until utilised.

School Reserves

- 3.30 The main element of this reserve is individual carry forward balances of schools' unspent budgets. It is the Council's responsibility to hold these balances and ensure they are ring-fenced for use against school activities. These balances are expected to gradually reduce over this planning period as the schools utilise their accumulated surpluses to support their activities.
- 3.31 With the current cost of living crisis and the impact of inflation and pay awards, the financial pressure on schools is ever increasing and this reduction is expected to accelerate. The Council has clear financial procedures for schools, that reflects that annual budgets should be set within agreed resources available and sustainable three-year plans should also be approved. Any school that doesn't meet these requirements has to seek approval for a licensed deficit with a view to returning to a balanced position. This will require careful management by schools with support from the Council's finance team but there must be clarity around setting sustainable budgets each year so that the Council's position is protected. This is even more important as there continues to be a central government policy drive to move schools to academy status. This poses a significant financial risk to the Council both through the deficit position of some schools but also the scale of resources currently within the Council that support schools. Work is underway to fully evaluate this exposure and a report will be presented to Cabinet and Council by the Assistant Director for Children's Services (Education) in 2023/24 on this.

4. CONCLUSION

- 4.1 As a result of considering the issues contained within this report, it is the view that the budget proposed is a robust budget package whilst also ensuring that there are adequate General Balances to draw on if the service estimates turn out to be insufficient. This opinion is provided in accordance with Section 25 of the Local Government Act 2003.

This page is intentionally left blank

Agenda Item 9

Report to:	Overview & Scrutiny Committee (Regulatory, Compliance & Corporate Services) Cabinet Council	Date of Meeting:	7 February 2023 9 February 2023 2 March 2023
Subject:	Revenue and Capital Budget Plan 2023/24 – 2025/26 and Council Tax 2023/24		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Leader of the Council		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

This report will provide Overview and Scrutiny, Cabinet and Council with:

- An assessment of the Council's current financial position and approach to the 2023/24 Budget Plan and preparation for the additional two-year budget period 2024/25 to 2025/26.
- An update on the Government's announcement of resources that are available to the Council for 2023/24 and 2024/25.
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2023/24; and,
- The proposed Capital Programme for 2023/24.

The report sets out the financial strategy of the Council and the national and local financial context within which it is operating. The Council has a statutory requirement to remain financially sustainable and to balance its budget every year.

Recommendation(s):

Overview and Scrutiny is recommended to:

Agenda Item 9

1. Note the update of the Medium-Term Financial Plan for the period 2023/24 to 2025/26; and,
2. Consider the proposals within the report and to provide any comments to Cabinet which can be considered as part of the formal approval of the Budget Plan for 2023/24 – 2025/26 and the Council Tax for 2023/24.

Cabinet is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2023/24 to 2025/26.
2. Recommend to Council the Budget Plan for 2023/24, including the Revenue Budget, allocation of specific grants (section 13), and Capital Programme (Appendix D), and authorise officers to undertake the necessary actions to implement the recommendations.
3. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 12).

Council is recommended to:

Budget 2023/24 and Medium-Term Financial Plan from 2024/25 to 2025/26

1. Note the update of the Medium-Term Financial Plan for the period 2023/24 to 2025/26.
2. Approve the Revenue Budget for 2023/24 and authorise officers to undertake all of the necessary actions to implement the budget changes and proposals as detailed within the report.
3. Approve the commencement of all appropriate activity required to implement the budget savings proposals as detailed in the report, including for example, consultation with employees and engagement with partners and contractual changes as the programme develops.
4. Note that officers will comply with agreed HR policies and procedures including relevant consultation with Trade Unions and reports to the Cabinet Member (Regulatory, Compliance & Corporate Services) as required.
5. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 12).
6. Approve the allocation of specific grants as detailed in the report (Section 13).
7. Subject to the recommendations above, approve the overall Council Tax resolution for 2023/24 including Police, Fire, Mayoral and Parish Precepts.

Capital Programme 2023/24 to 2025/26

8. Approve for inclusion within the Capital Programme the full list of projects in Appendix D.

Business Rates – Removing Schools Discretionary Top Up Relief

9. Approve the removal of the discretionary business rates relief awards currently given to voluntary aided / church schools with effect from 1 April 2024 (Section 18).

Reasons for the Recommendation(s):

The recommendations in this report provide the basis on which the Budget Plan will be balanced for the financial year 2023/24 and will ensure that the Council's statutory obligations are met. In addition, it begins the planning for the financial strategy for the following two years to give the Council sufficient time to identify specific proposals to deliver financial sustainability over that period.

Alternative Options Considered and Rejected: (including any Risk Implications)

The Council is legally required to set a balanced budget each year and this report has taken due consideration of all financial issues in its development. No additional options are available for inclusion.

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications are reflected within the report

(B) Capital Costs

All financial implications are reflected within the report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

The proposals / projects within the budget plan may have a potential impact upon employees and the potential for both voluntary and compulsory redundancies. In such circumstances it will be necessary for the Council to comply with the duty to consult with recognised Trade Unions and employees and to complete as necessary a notification under Section 188 of the Trade Union Labour Relations (Consolidation) Act 1992. This notification under Section 188 is dependent on numbers and other ongoing activity.

In a similar way to a notification under Section 188, as above Form HR1 notifying of potential redundancies to the Department of Business Innovation and Skills may be necessary. Full consultation will take place with the Trade Unions and employees on the matters contained within the Budget Plan.

The proposals / projects that are made within the budget plan will have an impact on physical assets, this will be assessed during the implementation of approved changes.

The proposals / projects within the budget plan will also have an impact on ICT, this will be assessed during the implementation of approved changes.

Legal Implications:

Agenda Item 9

There is a statutory requirement to set a robust budget for the forthcoming financial year on or before 10 March 2023. In the course of considering each of the individual proposals / projects, detailed consideration should also be given to the legal, human rights and equality implications. Such consideration will also need to be evidenced to ensure that the Council's decision-making processes are transparent.

Equality Implications:

As the Council puts actions into place to set a balanced and sustainable budget there is a need to be clear and precise about processes and to assess the impact of potential change options, identifying any risks and mitigating these where possible. Equality impact assessments, including any feedback from consultation or engagement where appropriate, will be made available to Members when final recommendations on individual projects are presented for a decision, in line with approved delegations. This will ensure that Members make decisions with due regard to the impact of the recommendations being presented and in compliance with the Equality Act 2010.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

The allocations of capital funding outlined in Appendix D may be spent on projects that will have a high climate change impact as they could relate to new build, rebuild, refurbishment, retrofit and demolition proposals. Environmental consideration will be taken into account when specific projects are designed and tendered – which will help to mitigate negative impacts.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:

Council decisions since 2010 have focused on the priority given to protecting our most vulnerable people. The Budget Plan activity continues to seek to protect the most vulnerable within available resources.

Facilitate confident and resilient communities:

The Budget Plan demonstrates a clear commitment to early intervention and prevention and working with partners, communities and local businesses to reduce the reliance on the public sector.

Commission, broker and provide core services:

The Budget Plan recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered but will use new service delivery models and new forms of partnership.

Place – leadership and influencer:

Previous Budget Plans have seen the Council demonstrate strong and effective

leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision-making process.

The Council continues to work with partners towards common goals, moving away from traditional ways of working focused around delivering services and is demonstrating a greater role in influencing, shaping, enabling and building community capacity.

Drivers of change and reform:

The Budget Plan demonstrates the Council playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.

Facilitate sustainable economic prosperity:

The Budget Plan clearly articulates the Council's approach to investing in order to achieve financial sustainability and the ambitions of Sefton 2030.

Greater income for social investment:

The Budget Plan recognises the Council's commitment to developing a commercial nature, looking at what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.

Cleaner Greener:

The Budget Plan recognises the Council's commitment to work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, people's wellbeing and the achievement of the 2030 Vision.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

Regular and ongoing consultations have taken place between the Chief Executive, Executive Directors and Assistant Directors, and will continue to do so.

The Executive Director of Corporate Resources and Customer Services (FD 7107/23) is the joint author of the report, and the Chief Legal and Democratic Officer (LD 5307/23) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

In recent years the Council has carried out extensive consultation with the community and has a proven track record of engagement, consultation, listening and considering feedback in the budget setting process. Engagement and consultation will continue over the budget plan period and standard Council procedures will be observed in the instances where we are required to inform the public.

The budget proposals contained within this report provide a basis for setting the budget for 2023/24. It is a legal requirement to set a balanced budget and ensure the budget plan is robust. As such, any changes to the proposals contained within this report would need to ensure this requirement is still met.

Agenda Item 9

Implementation Date for the Decision

Officers will be authorised to implement all decisions within this report immediately following Council on 2 March 2023.

Contact Officer:	Dwayne Johnson and Stephan Van Arendsen
Email Address:	Dwayne.Johnson@sefton.gov.uk Stephan.VanArendsen@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets 2023/24
- B. Budget Saving Proposals
- C. Draft Council Budget Summary 2023/24
- D. Capital Programme 2023/24 – 2025/26

Background Papers:

Financial Management 2022/23 to 2024/25 and Framework for Change 2020 – Medium Term Financial Plan 2023/24 to 2025/26– Report to Cabinet and Council – 3 and 17 November 2022

1. Introduction

- 1.1 This report provides Members with an update on the overall financial position of the Council. It refreshes the Medium-Term Financial Plan for 2023/24 which is the second year of the three-year Government Spending Review period. In addition, it provides initial views on the likely funding position that the Council will face in 2024/25 and the potential pressures it will face in 2025/26. In doing so the report presents the proposed budget for 2023/24.
- 1.2 In addition, Individual School Budgets and the Capital Programme require approval.

2. The National Context and financial environment

- 2.1. The Spending Review, which was announced in October 2021, provided the framework for local government funding for the following three years and was followed by a one-year local government finance settlement for 2022/23. This led to the Council setting its budget for that financial year in March 2022.
- 2.2. At that point in time central government's Spending Review assumed a level of inflation of between 2-3% for the period and the conflict in Ukraine had yet to commence.
- 2.3. As has been reported extensively across the sector since April 2022, and which has been mirrored in monthly reports to this Council's Cabinet throughout the year, local government has been placed under extreme and unforeseen financial pressure that has been driven by inflation. This has impacted on energy costs, key Council services and pay at the same time that there has been a significant increase in the Children's Services agency and accommodation charges being paid. The issues in the agency market have fundamentally changed the workforce in this critical space. In addition, the Council has continued to experience a significant increase in referrals for Special Educational Needs and Disabilities (SEND) services and the service has had to increase staffing levels to tackle the demands, service levels have increased, and it has become more challenging to secure school places in our mainstream schools. During the year there has been no central government support for these emerging pressures aside from energy costs. As a result, with inflation at over 10% during the year compared to the 2-3% Spending Review assumption, and pressure on Children's Services increasing on a month-by-month basis, this has left Sefton, and all councils, needing to implement substantial remedial plans and utilise scarce reserves and general balances in order to meet the in-year budget gap. It can be seen from the latest in- year monitoring reports that most services, as a result of the financial planning undertaken, are in a stable financial position, however the situation regarding Children' services is extreme with an in year overspend of over £17m as at the end of December 2022. These matters present a real threat to the financial sustainability of the Council.
- 2.4. As ever, local government is reliant on central government to determine the financial framework within which it will work and the resources it will have available to it. During the last year, with three different Prime Ministers being in

Agenda Item 9

place between July and October, and at a time of huge financial volatility for councils, informed budget and operational planning was not possible as this financial framework was not available, therefore the work undertaken in the Council from June 2022 as part of the budget cycle was a significant challenge. Throughout the summer months, despite councils outlining the budget pressures created by inflation and the demand issues in Adults and Children's Social Care in addition to Special Educational Need and Disability (SEND) services, members and officers were advised that no further funding to that previously outlined in the October 2021 Spending Review would be forthcoming.

- 2.5. The Autumn Statement provided by the new Chancellor of the Exchequer on 17 November 2022, provided some information on how local government would be funded for 2023/24, with the detail provided in the Provisional Local Government Finance Settlement on 19 December 2022. The detail of this, and the implications for Sefton, is provided in this budget report. Whilst the redirection of some funding to support Adults and Children's Social Care is welcome, it is substantially below the investment detailed as being required by the Local Government Association and also the Government's own report into Children's Social Care by Josh MacAlister. It is important to note that within the Autumn Statement and the funding that is available to councils, the government has included the proposal by which councils can increase Council Tax to 3% with a 2% Adult Social Care levy (for those councils with Adult Social Care responsibilities).
- 2.6. It is evident across the sector with most councils having to make budget and service reductions that there is insufficient funding available to local government and this is the case for Sefton. As such this budget report outlines how the proposed budget has been built up and the steps that have been taken in order for members to approve a robust budget for 2023/24.

3. Sefton's local factors and approach to sustainable financial planning

- 3.1. Sefton, like many local authorities, has found the period since 2010 challenging in terms of the national funding conditions outlined above and the significant and growing pressures across a range of Council services. The Council has a proven track record of effectively managing its finances, meeting its financial objectives and delivering financial sustainability, however this is becoming increasingly difficult.
- 3.2. Central government policy has, unsurprisingly, seriously challenged the ability of the Council to provide essential services to the community and its most vulnerable residents. Demand for adults, SEND and children's services has rapidly increased over recent years as reflected in a National Audit Office study. Although additional resource has been provided by Government in recent years, this hasn't been sufficient to fund the additional costs faced by the Council in these areas. Service budgets have seen significant reductions and as a result there have been major changes in service provision; however, the Council has continually strived to ensure that essential services that safeguard the most vulnerable residents are protected and prioritised in addition to ensuring that financial sustainability is maintained.
- 3.3. This position has been compounded as a result of COVID 19 and high levels of inflation, with a significant increase in demand for services and the costs of

providing these services, loss of income from fees and charges and reductions from business rates and council tax receipts also being experienced.

Transformation Programme and delivering Financial Sustainability

- 3.4. The Council has now delivered two successful transformation programmes under the Framework for Change banner- these programmes have had financial sustainability at the centre of them and have ensured that robust and sustainable annual budgets have been set, within the context of policy development and service design.
- 3.5. These programmes have come to an end and a new transformation programme is to be developed that will once again align with the Council's Medium-Term Financial Plan and deliver financial sustainability. This will be presented to Members for approval during the first quarter of 2023/24.

4. Budget Plan 2023/24 – 2025/26

- 4.1 As discussed previously within the report, 2023/24 is the second year of the Government's Spending Review period. Council, on 17 November 2022, approved an updated Medium-Term Financial Plan (MTFP) for the period 2023/24 – 2025/26, including the assumptions made.
- 4.2 As part of this budget setting cycle, each key element of the MTFP has been reviewed, namely: -
 - The initial key MTFP assumptions including non-recurring savings.
 - Other MTFP changes.
 - Impact of Budget Decisions in Previous Years
 - The implications of the Provisional Local Government Finance Settlement for 2023/24, and the potential impact of funding announcements made for 2024/25.
 - Growth Items,
 - Savings proposals to balance the 2023/24 budget, and,
 - Issues currently considered to be temporary in nature, including the ongoing impact of COVID-19, which will be funded from temporary resources.
- 4.3 The following sections of the report consider the Council's normal budget and detail each element of the MTFP in turn.

Initial Key MTFP Updated Assumptions

- 4.4 Within this MTFP, there are a number of initial key assumptions that will impact upon the funding gap facing the Council in the period 2023/24 to 2025/26 as well as a number of other budget changes. These reflect the information included in the updated MTFP reported to Council on 17 November 2022, some of which have been revised to reflect the latest information available. These are set out as follows:

Agenda Item 9

Pay Award Provisions

- 4.5 The approved Base Budget included a provision for the 2022/23 pay award of 3%. This was in line with most other local authorities who had budgeted for between 2.5% and 3% (and when the Spending Review 2021 was published, the Office for Budget Responsibility was forecasting inflation to be 4% in 2022). On 25 July 2022, the National Employers for local government services body made an offer to trade unions of a fixed increase of £1,925 (plus an additional day's annual leave from April 2023). This was agreed in early November 2022. For Sefton, this equates to an increase in the pay bill of about 6.5% or an additional **£3.600m** above the amount included in the 2022/23 budget. This is a national issue for local government however Government have made it clear that no additional funding would be made available. This additional cost therefore needs to be budgeted for in 2023/24.
- 4.6 Given the current rates of inflation it is considered prudent to increase the pay award provisions for 2023/24 and 2024/2025 compared to usual assumptions. Therefore, **£4.375m** has been included for 2023/24, and **£3.650m** included for 2024/25. It is assumed that by 2025/26 inflation will have reduced sufficiently for the usual provision to be sufficient (**£2.600m**).
- 4.7 It should be noted that all of the above figures are net of pay costs that are externally funded, as well as costs of services that are provided on behalf of schools, e.g., building cleaning and catering.

Resources to fund increases in the Pension Future Service Rate

- 4.8 In line with previous MTFPs, the Council makes provision for the estimated costs of annual increases in contributions to the Merseyside Pension Fund relating to increases in the Future Service Rate. Provisions for this total **£0.600m** per year. However, it should be noted that the next triennial valuation of the Fund takes effect from April 2023. The implications of this are described within the saving proposals.

Resources to fund increases in Specific Contracts

- 4.9 In line with previous MTFPs, the Council makes provision for the estimated costs of annual increases in certain contracts which have specific inflationary increases included within the contract. Given the current high levels of inflation it is estimated that a provision of **£0.400m** will be required in 2023/24, reducing to **£0.200m** in 2024/25 and further reducing to **£0.100m** in 2025/26.

Social Care – Provider Fee Increases

- 4.10 The Government has announced that the National Living Wage will increase significantly from April 2023, from £9.50 to £10.42 per hour. It is expected that this, and the current high levels of inflation, will create significant additional burdens on Adult Social Care Providers in 2023/24. It is therefore considered prudent to include provisions of **£7.500m** in 2023/24 and 2024/25 for the potential impact of increased fees from providers, reducing to **£5.500m** in 2025/26.
- 4.11 In addition, it is estimated that providers of Children's Social Care will also increase fees significantly in the next two years. It is therefore considered prudent to include provisions of **£2.000m** in 2023/24 and 2024/25 for the potential impact of increased fees from providers, reducing to **£1.250m** in 2025/26.

Levy Increases

- 4.12 The Council is required to pay levies to various bodies, the largest two of which are the Liverpool City Region Combined Authority (for Transport) and the Merseyside Recycling and Waste Authority. Sefton has received notifications of provisional figures for 2023/24 and these will increase the amounts to be paid by **£0.950m** in 2023/24. In line with previous MTFPs provisions of **£0.700m** have been included for the potential costs of increases in these levies in 2024/25 and 2025/26.

Other MTFP Changes 2023/24 – 2025/26

Council Tax Base

- 4.13 The Council Tax Base is set by Council in January each year. It reflects changes, and forecast changes, in the number of properties, the value of exemptions and discounts and the assumed amount to be collected in the year. The Council Tax Base for 2023/24, approved in January 2023, will generate an additional **£2.539m** in the year. It has been assumed that there will be further growth in the Tax Base in future years that would generate **£1.050m** in 2024/25 and **£0.500m** in 2025/26.

Pay Award Provision for 2021/22

- 4.14 The provision for the 2021/2022 pay award was in excess of the amount required to fund the award. Therefore, this provision can be used to offset the inflationary pressures referred to in previous sections by **£1.300m**.

Budget Pressures Fund

- 4.15 The 2022/23 Base Budget includes a Budget Pressures Fund of **£1.000m**. Given the inflationary pressures currently being experienced it is proposed to utilise the Fund to offset these pressures.

National Insurance Contributions Increase

- 4.16 In September 2021, the Government announced the introduction of a new Health and Social Care Levy of 1.25%, based on National Insurance Contributions, for both employees and employers. They announced that this funding would be ringfenced for health and social care. This was introduced from April 2022 as an increase in National Insurance Contributions before being separated out as a new distinct Levy from April 2023. The Council included **£1.250m** in its Base Budget for these costs. However, the Government announced the reversal of this policy from November 2022. Therefore, this provision can be taken from the budget in 2023/24. However, it should be noted that the Government provided funding to councils in 2022/23 to offset these costs as part of the Services Grant. The Services Grant has been reduced in 2023/24, partly to reflect that councils will no longer have to incur these costs.

Impact of Budget Decisions in Previous Years

Treasury Management Costs

- 4.17 Significant Treasury Management savings were built into the budget for 2016/17 following the review of policy – however, the annual value of this saving reduces at **£0.200m** each year going forward.

Agenda Item 9

2020 Local Government Pension Scheme Valuation

- 4.18 The 2020 valuation of the Merseyside Pension Fund set contributions that the Council were required to pay for the 2020/21 to 2022/23 period. At the time the Merseyside Pension Fund offered the Council the opportunity to prepay (in April 2020) a proportion of the total expected contributions for the three-year valuation period at a discount. After allowing for borrowing costs, the estimated net saving was **£1.300m** in 2022/23 only. Therefore, this saving needs to be added back to the 2023/24 budget.

Framework for Change 2020 – Demand Management Savings

- 4.19 The 2020/21 Budget Report presented to Council in February 2020 outlined the workstreams that would be established in order to review demand led budgets. Due to the size, complexity and demand for these services, a continual review would be undertaken to ensure that the cost base for these services reduces, an early intervention and prevention programme is embedded, and residents are supported in 'moving down the system' so as to reduce the demand for Council services and particularly those at the acute end.
- 4.20 From the initial work of the Adult Social Care workstream, savings of £3.300m were identified in 2020/21, which were built into the Base Budget for 2021/22. The continuing work of the Adult Social Care workstream identified further savings of £3.800m, which partly relates to the full year impact of previously implemented savings, as well as new savings that have been identified. Of these, £2.800m were built into the 2022/23 Base Budget, with **£1.000m** assumed to be achieved in 2023/24. These savings are considered to be permanent at this stage but will continue to be reviewed.

Contribution to School Closure Reserve

- 4.21 The 2022/23 Base Budget includes a contribution of £0.750m to the reserve. This will result in the reserve standing at £1.750m at the end of 2022/23. This is considered prudent given the risks the Council might face relating to potential deficits. Therefore, the planned contribution to balances of **£0.750m** in 2023/24 would no longer be required and can be taken from the budget.

Growth Funded from One-Off New Homes Bonus

- 4.22 The Council received additional New Homes Bonus in 2022/23 only. Due to the unexpected and one-off nature of this receipt, this was reserved, with the use determined during the year. This growth is therefore reversed in 2023/24 (**£0.639m**).

Revenue One-off funding for 2022/23

- 4.23 As a result of the grant allocations from government being focussed on 2022/23, with the Spending Review in 2021 indicating that no further grant funding would be received in 2023/24 or 2024/25, a one-off revenue sum of **£2.229m** was reserved in 2022/23, with its use to be determined during the year. This growth is therefore reversed in 2023/24.

Income from the Strand Shopping Centre

- 4.24 The 2021/22 Budget Report highlighted that since the purchase of the Strand, surplus income of over £1.000m had been raised which has been used to support the Council's budget, and indeed the shopping centre had made a positive financial return each year. However, due to the significant impact of COVID-19 on

retail businesses it was expected that there would be a reduction in income in 2021/22 and future years as businesses close and others experience difficult trading conditions.

- 4.25 The current business case forecasts that this income loss will be £0.500m in 2022/23 and will increase again by **£0.300m** in 2023/24. As would be expected these figures will be the subject of change and updates will be provided to Cabinet when required.

Initial MTFP Position 2023/24 to 2025/26

- 4.26 Based upon the revisions relating to MTFP assumptions it was initially estimated that the funding shortfall between 2023/24 and 2025/26 would be **£34.668m**, before any consideration of general government funding, existing service pressures and any other additional inflationary / COVID-19 pressures. In addition, it is before any Council Tax decisions are made and any additional service delivery options are considered. A detailed analysis is shown below:

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Key MTFP updated assumptions:			
- Provision for Pay Inflation – 2022/23	3.600	0.000	0.000
- Provision for Pay Inflation	4.375	3.650	2.600
- Provision for Pension Increases	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.400	0.200	0.100
- Assumed increase in Care Provider costs re. Adult Social Care	7.500	7.500	5.500
- Assumed increase in Care Provider costs re. Children's Social Care	2.000	2.000	1.250
- Levy increases	0.950	0.700	0.700
	19.425	14.650	10.750
Other MTFP Changes:			
- Council Tax Base	-2.539	-1.050	-0.500
- Pay Award Provision for 2021/22	-1.300	0.000	0.000
- Budget Pressures Fund	-1.000	0.000	0.000
- National Insurance Contributions Increase	-1.250	0.000	0.000
	-6.189	-1.050	-0.500
Impact of Budget Decisions in Previous Years:			
- Treasury Management Costs	0.200	0.200	0.200
- 2020 Local Government Pension Scheme Valuation	1.300	0.000	0.000
- Framework for Change 2020 – Demand Management Savings	-1.000	0.000	0.000
- Contribution to School Closure Reserve	-0.750	0.000	0.000
- Growth Funded from One-Off New Homes Bonus	-0.639	0.000	0.000
- Revenue One-off funding for 2022/23	-2.229	0.000	0.000
- Income from the Strand Shopping Centre	0.300	0.000	0.000

Agenda Item 9

	-2.818	0.200	0.200
Initial MTFP Funding Gap – excluding Council Tax	10.418	13.800	10.450
Total Initial MTFP Funding Gap			34.668

5. Local Government Finance Settlement 2023/24

5.1 In approaching and updating the Council's MTFP, a key component each year is the financial settlement that is made by the Secretary of State. In reviewing this, there are three areas that the Council is particularly interested in, namely:

- Confirmation or otherwise of the level of financial support that will be received by the Council.
- To what extent any solutions are offered by central government to specific issues that affect not only Sefton but all local authorities, e.g., funding for the increased costs associated with Adults and Children's Social Care; and,
- What opportunities are available to local authorities to raise additional income.

5.2 The Provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. This confirmed, and provided more detail on, a number of funding announcements made in the 2022 Autumn Statement which was announced on 17 November 2022, and the Local Government Finance Policy Statement 2023/24 and 2024/25 that was announced on 12 December 2022; these are detailed from paragraph 5.4.

5.3 Whilst this Settlement is for one year only, the Policy Statement does provide additional information relating to 2024/2025 funding that allows for some informed assumptions to be made relating to some funding streams in that year. However, no information is available for funding beyond 2024/25.

Social Care Grant

5.4 In 2021/22, the Government provided £1,710m of Social Care Grant funding which was distributed using the Adult Social Care Relative Needs Formula. In the 2022/23 Settlement the Government announced a further £636.4m which was mainly distributed using Adult Social Care Relative Needs Formula with the remaining element being distributed on a different basis aimed at providing more funding to those authorities with lower council tax bases who cannot raise as much through the Adult Social Care Precept. Sefton's total allocation was £16.085m.

5.5 The Settlement also announced that an additional £1,265m of Social Care Grant (plus an additional £80m which is being added from elsewhere in the local government finance settlement) would be paid to local authorities in 2023/24 (with a further £612m in 2024/25), using the same allocation methodology as for 2022/23. This additional funding has been provided from repurposed money from delaying adult social care charging reform. Sefton's allocation of the additional funding is **£9.014m**. Although individual allocations haven't been announced for 2024/25, it is estimated that Sefton's allocation would be in the region of **£4.100m**.

- 5.6 In addition, local authorities have been given the power to raise Council Tax by a further 2% on top of the core principle as an Adult Social Care Precept in both 2023/24 and 2024/25. This will raise a further £600m nationally as part of the £2,800m funding announced as being available for social care in 2023/24 (and a further £0.600m out of an additional £1,900m announced for 2024/25). This is discussed further in section 10.

Adult Social Care Market Sustainability and Improvement Funding

- 5.7 The Settlement announced an additional £400m in 2023/24 (and an additional £283m in 2024/25) to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. The grant also includes £162 million in Fair Cost of Care funding which was provided to local authorities in 2022/23 as the Market Sustainability and Fair Cost of Care Fund. The Government proposes to distribute this funding using the existing ASC Relative Needs Formula. There will be reporting requirements placed on this funding regarding performance and use of funding to support improvement against the objectives. Sefton's additional allocation in 2023/24 is **£2.542m** with an estimated additional **£1.798m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Adult Social Care Discharge Fund

- 5.8 The Settlement also announced an additional £600m in 2023/24 (with a further £400m in 2024/25) to improve discharge arrangements from hospitals. The amounts will be included within the Better Care Fund, with half of these amounts being distributed to local authorities. Sefton's additional allocation in 2023/24 is **£2.205m** with an estimated additional **£1.470m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Services Grant

- 5.9 The 2022/23 Settlement provided details of a new Services Grant, worth £822m nationally, which was paid in 2022/23 to local authorities and which is being distributed based on the 2013/14 share of the Settlement Funding Assessment. The grant included funding to cover the cost of increased employer national insurance contributions resulting from the health and social care levy which are ongoing. Sefton's allocation of the grant was £4.477m.

- 5.10 The 2023/24 Settlement announced that the overall funding would reduce to £464m, in part due to the cancellation of National Insurance Contribution increases. Other amounts have been repurposed to fund increases in the Revenue Support Grant and funding for the Supporting Families Programme. Sefton will see a reduction in funding of **£1.954m**.

Public Health Grant

- 5.11 The 2021 Spending Review announced that funding for Public Health through the Public Health Grant would be maintained in real terms. However, neither the Autumn Statement or Settlement mentioned the Public Health Grant so no information is available on the national totals or individual allocations.

Lower Tier Services Grant

- 5.12 The Government announced a new unringfenced Lower Tier Services Grant in 2021/22, which allocated £111m to local authorities with responsibility for lower

Agenda Item 9

tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). Sefton's allocation in 2022/23 was £0.462m. This grant has been repurposed by the Government in 2023/24 so Sefton's funding has reduced by **£0.462m**.

New Homes Bonus

- 5.13 The Government will continue to make payments of New Homes Bonus in 2023/24. However, as expected, the main grant allocations for 2022/23 will not continue. However, Sefton achieved the Government's threshold for main payments for 2023/24 and will receive £0.350m. However, this payment is for one year only. This is a reduction of **£0.444m** on the amount received in 2022/23.
- 5.14 It is currently assumed that an equivalent amount of New Homes Bonus will be received in 2024/25 and 2025/26. However, this assumes that the scheme does not change, and that Sefton will again achieve the baseline target.

Settlement Funding Assessment / Business Rates Baseline

- 5.15 To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2022/23. Local authorities will be fully compensated for this decision through additional Section 31 Grant. It is estimated that this will result in **£7.403m** of additional funding in 2023/24. In addition, the government announced that the Revenue Support Grant and Improved Better Care Fund will increase in line with inflation which will result in an increase in the Council's Top-Up Grant of **£1.766m** in 2023/24. It is currently assumed that Sefton will receive an additional **£2.600m** in 2024/25 and 2025/26 for these measures, although this will be dependent on rates of inflation and Government policy.

Review of Relative Needs and Resources

- 5.16 As mentioned in previous Budget Reports, the Government is committed to reviewing the allocation of funding available to local authorities through the Review of Relative Needs and Resources. However, it announced in October 2022 that the review would no longer take place during the Spending Review period. As such no assumption about the potential reduction in funding this may have brought have been included in the Budget Plan.

Business Rates Retention:

- 5.17 Sefton's retained rates income is forecast to be above its funding baseline for 2023/24, so the Council is expecting to achieve a gain from Business Rate retention. 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.
- 5.18 As part of the Review of Relative Needs and Resources, the Business Rates baseline was expected to be re-assessed and changed. Therefore, the benefit of the realised gains to date was expected to be lost going forward. As stated above, this will no longer take place during the Spending Review period. The Settlement announced that 100% Business Rates Retention areas would continue into 2023/24.
- 5.19 A summary of the estimated grant changes is shown below:

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Government Funding:			
- Social Care Grant	-9.014	-4.100	0.000
- Adult Social Care Market Sustainability and Improvement Funding	-2.542	-1.798	0.000
- Adult Social Care Discharge Fund	-2.205	-1.470	0.000
- Services Grant	1.954	0.000	0.000
- Public Health Grant	0.000	0.000	0.000
- Lower Tier Services Grant	0.462	0.000	0.000
- New Homes Bonus	0.444	0.000	0.000
- Settlement Funding Assessment / Business Rates Baseline	-9.169	-2.600	-2.600
	-20.070	-9.968	-2.600

6. MTFP Changes – Growth Items

6.1 The following additional growth items are proposed to offset ongoing budget pressures as well as investment in key Council services:

Children's Social Care

6.2 Within the Council's budget report of March 2022, the financial risk to the Council from Children's Social Care was reported extensively and was reflected in the overall risk analysis that determines the reserves that the Council should hold. The main budget report reflected that in the absence of further government funding, if costs in children's social care (and adults social care) increased then savings would be required in future years.

6.3 This risk has been reported over the last 3-5 years within the Council and has been focussed on the number and cost of accommodation for children who require support. As a result, it has been the main area of the Council where the budget has grown, increasing from £33m in 2018/19 to £52m in 2022/23.

6.4 This risk has increased exponentially in the current year for circumstances that were unforeseen at the time of budget setting- inflation has caused accommodation costs to increase substantially with an increase in rates of over 10%, the current number of children in residential accommodation is 78 with some accommodation costs being in excess of £24,000 per week during the current year and agency rates for social workers have increased with a dislocation in the market so that they can now amount to £100,000 per annum for one agency worker. This latter point means that the Council is experiencing recruitment and retention issues and substantial cost increases as the service tries to source staff to deliver the services required. It should be noted that these matters are not unique to Sefton, have been experienced by neighbouring councils and the national Association of Directors of Children's Social Care have published information which highlights the challenges councils are now facing. Within the current year financial pressure of £17.0m has been reported and £11.3m will continue permanently into 2023/24 for which budget will be required.

Agenda Item 9

- 6.5 A key recommendation from the Council's DfE commissioner was to align the Medium-Term Financial Plan of the Council to the improvement plan that is in place within the service. This alignment, while always there in all budget cycles has been undertaken on a more formal basis to inform this MTFP. This has seen the Director of Children's Services advise the Chief Executive, s151 officer and deputy s151 officer via a series of meetings on the resources required to fund the service, accepting that this area of the Council will continue to be extremely volatile. These discussions have focussed on the following four areas that are reflected in this MTFP:
- Right sizing the budget for next year.
 - Inflation on existing accommodation costs.
 - Salary budget taking into account agency costs.
 - Additional budget requirement for accommodation costs, either external placements or Council owned provision.
- 6.6 From this work, the estimates within this report have been signed off by the Executive Director of Children's Services and specifically take account of:-
- Current in year demand for the service and financial pressure-**£11.300m**
 - Known inflationary costs in the sector that will inform via a specific working group, fee increases-estimated at 10% or **£2.000m** in each of the following 2 years (reported in paragraph 4.10).
 - Impact of recruitment of permanent staff to all posts above team leader.
 - Permanent Agency Staff budget to cover for staff absence, short-term cover, etc (**£1.000m**).
 - Permanently fund Communications, Legal and Human Resources support for the service (**£0.400m** in 2023/24 with a further **£0.150m** in 2024/25).
 - Potential impact of international social worker (ISW) recruitment and the approved social worker academy – full year cost **£1.200m**- 20 ISW's that will fill existing establishment posts thereby reducing the agency number and cost.
 - A forecast of additional children who may require accommodation support in future years (five assumed in 23/24 – assumed full-year cost of **£2.000m** in 2023/24, **£1.000m** in future years); and
 - The estimated running costs of council owned accommodation (£0.730m per annum based on a four-bed accommodation site – would be part of cost above)
- 6.7 In addition to these sums, further temporary support will also be provided to cover agency costs in 23/24 (see paragraph 9.5).
- 6.8 It can be seen that further investment of £17.9m will be made into Children's Services during 2023/24 and this will take the annual budget to £70m. This budget has been developed by the Executive Director for Children's Services to align as stated with the Improvement Plan and needs of the service. This budget is the biggest risk area within this budget package based on historical overspending and cost volatility in the agency workforce market and children's care market accommodation sector. With the development of the budget for the next two years year it is essential that the budget is managed effectively and the service lives within the resources that are available, and which have been approved. As can be seen from elsewhere in this budget report, there is

insufficient funding to meet the existing costs of the Council and savings are having to be made for 2023/24 in addition to no additional budget being made available to take account of inflation in most service areas. The Council cannot therefore accommodate overspending as experienced in recent years and certainly in 2022/23. In the event that cost pressure is being experienced within the service it is important that this is identified at the earliest opportunity via the monthly monitoring process and reported to Members for decision on how this would be met from within the Council's approved budget as there are no surplus balances available to meet any pressure as highlighted in this budget report. This risk should have reduced with the sign off process but based on recent years this remains the largest threat to the financial sustainability of the Council.

- 6.9 The Council is committed to improving services for children and further work will commence at the start of the new financial year on the longer term budget for the service taking into account a period of between three and five years as reflected in the DfE Commissioner's report- this will take account the of services Sufficiency Strategy (Looked After Children Sufficiency Strategy 2022- 2025 (sefton.gov.uk)) , will align with the Improvement Plan and will inform the Council's overall Medium-Term Financial Plan. The core elements of this are already underway with planning and budget provision around care accommodation being made and also the proposed budget having provision that will support the delivery of the workforce strategy in respect of the Social Worker Academy- this is in addition to the previously approved funding in respect of international social workers both of which will contribute to reducing the reliance on agency workers.

Adult Social Care - Market Sustainability and Improvement Funding

- 6.10 As mentioned in paragraph 5.7, the Council is due to receive **£2.542m** in 2023/24 to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. It estimated the Council will receive an additional **£1.798m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Adult Social Care Discharge Fund

- 6.11 As mentioned in paragraph 5.8, the Council is due to receive **£2.205m** in 2023/24 to improve discharge arrangements from hospitals. The amounts will be included within the Better Care Fund. Sefton's is estimated to receive an additional **£1.470m** allocation for 2024/25. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Home to School Transport

- 6.12 There has been significant pressure on the Home to School Transport budget during 2022/23. As mentioned in paragraph 2.3., the Council has continued to experience a significant increase in referrals for SEND services and it has become more challenging to secure school places in our mainstream schools. This has therefore led to a significant increase in the number of children being transported, especially relating to out of borough placements. In addition, there has been an increase in the cost of providing the transport. It is therefore proposed to add **£2.400m** to the 2023/24 Base Budget to mitigate the full year impact of these pressures.

- 6.13 It is also proposed to make additional provision on the assumption that the number of children being transported will continue to increase, as will the cost of

Agenda Item 9

providing transport. Therefore, an additional **£1.200m** has been provided for in 2023/24, with further amounts of **£0.900m** and **£0.700m** provided for in 2024/25 and 2025/26 respectively.

Green Sefton

- 6.14 As reported to Cabinet, there has been significant pressure on the Operational In-House Services budget during 2022/23, particularly relating to income levels within Green Sefton activities. These pressures are considered to be permanent so it is therefore proposed to add **£0.371m** to the 2023/24 Base Budget to mitigate the impact of these pressures.

ICT Income

- 6.15 There has been a reduction in income received for ICT services provided to third parties. This unavoidable cost will increase the budget by **£0.150m** in 2023/24.

Southport Pier Decking Project

- 6.16 Council on 29 September 2022 approved a Supplementary Capital Estimate of £3.000m for the Southport Pier Decking Project, funded by prudential borrowing. The revenue costs of this borrowing are **£0.180m** per year, starting in 2024/25, for which there is currently no budget.

7. Summary MTFP Position 2023/24 to 2025/26 including Growth

- 7.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2023/24 and 2025/26 will be **£33.996m**, before any savings are approved or Council Tax decisions are made, and any further service delivery options are considered. A detailed analysis is shown below:

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Revised MTFP Funding Gap – excluding Council Tax	10.418	13.800	10.450
Local Government Finance Settlement	-20.070	-9.968	-2.600
Proposed Growth Items:			
- Children's Social Care – Permanent Pressures from 2022/23	11.300	0.000	0.000
- Children's Social Care – additional accommodation and support provision	2.000	1.000	1.000
- Children's Social Care – Social Worker Academy	1.200	0.000	0.000
- Children's Social Care – Agency Permanent Budget	1.000	0.000	0.000
- Children's Social Care – additional Communications, Legal and HR Support	0.400	0.150	0.000
- Adult Social Care - Market Sustainability and Improvement Funding	2.542	1.798	0.000

Agenda Item 9

- Adult Social Care Discharge Fund	2.205	1.470	0.000
- Home to School Transport – Permanent Pressures from 2022/23	2.400	0.000	0.000
- Home to School Transport – Inflation / increase in numbers	1.200	0.900	0.700
- Green Sefton – Permanent Pressures from 2022/23	0.371	0.000	0.000
- ICT Income	0.150	0.000	0.000
- Southport Pier Decking Project	0.000	0.180	0.000
	24.768	5.498	1.700
Revised MTFP Funding Gap excluding Council Tax and budget savings	15.116	9.330	9.550
Total MTFP Funding Gap			33.996

8. Budget Proposals

8.1 The following budget savings are proposed to reduce the budget gaps in 2023/24 and 2024/25. Further detail on the proposals are given in Appendix B.

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Revised MTFP Funding Gap – excluding Council Tax and budget savings	15.116	9.330	9.550
Proposed Budget Savings:			
- Public Health Grant-utilise funding to support public health and wellbeing at leisure centre provision	-0.500	-0.500	0.000
- Adult Social Care – further permanent Demand Management savings	-1.200	0.000	0.000
- Temporary freezing of specific vacant posts	-1.255	1.255	0.000
- Corporate Resources- review of pension contributions for next three years	-1.900	-0.700	-0.700
- Corporate Resources- pension contributions – annual upfront payment	-0.200	0.000	0.000
- Corporate Resources- review of all non staffing budgets across Service	-0.300	0.000	0.000
- Corporate Resources – Reduction in Unfunded Pension Increases	-0.100	-0.100	-0.100
- Corporate Resources- Council Tax Premium on Empty Properties over 10 years (300%)	-0.098	0.000	0.000
- Corporate Resources-Energy-Closure of Council Buildings	-0.440	0.000	0.000
- Corporate Resources-Treasury Management savings (temporary from interest rate increases)	-0.500	0.500	0.000
- Communities - Increased Fees and Charges –	-0.200	0.000	0.000

Agenda Item 9

Leisure			
- Economic Growth & Housing - Regeneration - Growth Budget Staffing savings - net	-0.134	0.000	0.000
- Economic Growth & Housing – Assistant Director of Place (Commercial Development) charged to Growth Budget	-0.116	0.000	0.000
- Highways and Public Protection - Reduction in Highways Maintenance Works Budget (15%)	-0.500	0.000	0.000
- Highways and Public Protection – Inflationary increase in Car Parking Fees and Charges	-0.125	0.000	0.000
	-7.568	0.455	-0.800
Revised MTFP Funding Gap	7.548	9.785	8.750
Total MTFP Funding Gap			26.083

- 8.2 It should be noted that budget gaps would remain in 2024/25 and 2025/26 even if maximum Council Tax increases were approved. Further work will commence in the new financial year to develop the Medium-Term Financial Plan and refine the budget gaps, including to reflect the requirements of Adult and Children’s Social Care within the context of the overall financial envelope of the Council. This budget gap will require the development of budget / savings proposals over the first half of 2023/24.

9. Temporary Budget Pressures

- 9.1 There are also other significant budget pressures that are currently considered to be temporary in nature. It is assumed that as these losses are considered temporary, they will be funded from one-off resources.

Energy Costs

- 9.2 As has been reported in the monthly reports to Cabinet, the global increase in energy prices is having a significant impact on the Council’s energy and fuel costs. This is currently estimated to increase costs in 2023/24 by around **£4.200m** (and **£2.100m** in 2024/25). This is being closely monitored as more information becomes available from the Council’s framework providers on the fees being paid. It should be noted that this is a national issue affecting all local authorities. However, the Government have advised that no additional funding will be made available for local government, despite representations made both nationally and locally. The Government has set up a support programme for businesses in 2022/23 with some of the Council’s costs being deemed to be eligible. However, although further support is being made available by the Government in 2023/24, the Council isn’t expected to benefit from this support. Therefore, the Council will need to evaluate its usage in light of the substantial price increase.
- 9.3 It is currently assumed that these increases will be temporary and will fall back to previous levels in 2025/26. This assumption will continue to be reviewed and any permanent increase in prices will need to be built into future budgets.

Sales, Fees and Charges Income

- 9.4 There was a significant impact on income from sales, fees and charges for a range of services during the pandemic. Whilst some income streams have fully recovered, others are expected to remain impacted, particularly for car parking and at leisure centres. It is currently forecast that this could result in a loss of income of up to **£1.000m** during 2023/24, reducing further in the following year to **£0.500m**, returning to normal from 2025/26. This forecast will be reviewed as there is more experience of the impact on reopened facilities.

Children's Social Care – Social Worker Agency Costs / Managed Teams

- 9.5 As discussed earlier, there has been a need to utilise more expensive agency workers within Children's Social Care. Whilst the implementation of the Social Worker Academy, the recruitment of international social workers and the introduction of additional recruitment and retention initiatives that were approved by Cabinet in January 2023 are expected to reduce the reliance on agency workers it is considered prudent to provide some temporary budget of **£3.300m** to fund some short-term costs as these take effect. The use of agency workers will be monitored closely throughout 2023/24 to ensure that additional costs are contained within this temporary budget and the permanent budget referred to in paragraph 6.6.

Pay Reserve

- 9.6 Paragraph 4.6 outlines the current assumptions relating to the pay award provision for 2023/24. However, given the uncertainty around inflation it is considered prudent to create an Earmarked Reserve of **£1.000m** to be utilised if the 2023/24 pay award costs more than the current provision. If that's the case, then the ongoing additional cost will need to be built into the 2024/25 budget.

Increase in General Fund Balances

- 9.7 The 2022/23 Robustness Report highlighted that there was a higher level of risk due to the uncertainties around the pandemic and its impact on the Council's financial position. Therefore, a revised position of 6.5% was proposed and considered prudent. This equated to about £15.6m. A range of £1.0m is advised around this figure so General Fund balances between £14.6m and £16.6m would be considered prudent.
- 9.8 At the end of 2022/23, the Council's General Balances were forecast to be £15.691m including the budgeted increase of £2.892m. However, due to the significant pressures on the Council's budget in 2022/23 remedial plans to offset the pressures have included utilising £3.700m of General Balances to meet these pressures, meaning balances will reduce to £11.991m. In addition, the latest monitoring position as at end of November used to inform this budget is reporting a potential deficit of £1.6m.
- 9.9 The 2023/24 Robustness Report highlights that there is a higher level of risk due to the current financial pressure within Children's Services, national inflation and the position re the High Needs Budget and the resulting impact on the Council's financial position. Therefore, a revised position of 6.5% is proposed and considered prudent. This equates to about £16.9m. A range of £1.0m is advised around this figure so General Fund balances between £15.9m and £18.9m would be considered prudent.

Agenda Item 9

- 9.10 It is therefore proposed to increase General Balances by **£3.400m** to start to move the Council to the prudent position. This would be funded by the net Council Tax / Business Rates surplus declared for 2023/24 (as explained in paragraph 9.11). This would therefore increase balances to £15.391m during 2023/24 (however, it should be noted that the position outlined below includes £1.023m to be carried forward as General Balances to offset anticipated one-off costs in 2024/25 – these could also be drawn on if required during 2023/24). General Balances will need to be increased further in future years to be in line with the level required to mitigate the risks that a Council of Sefton’s size faces or until that risk reduces.

Net Council Tax / Business Rates Surplus

- 9.11 Budget monitoring reports during 2022/23 have highlighted that a net Council Tax / Business Rates surplus will be realised in the year which will be declared for 2023/24. This is due to a number of factors including additional surpluses from 2021/22, increased housing and business rateable value growth and reduced exemptions and discounts, particularly relating to the Council Tax Reduction Scheme.
- 9.12 In addition, the Council has reassessed its Bad Debt Provisions following the global pandemic, in light of collection performance, particularly relating to Business Rates, as well as the Business Rates Appeals Provision given that many appeals have now been settled at values lower than expected.
- 9.13 The net impact of the above issues is that a net Council Tax / Business Rates surplus of **£13.923m** will be declared for 2023/24.

Emergency Funding

- 9.14 The Council received unringfenced Emergency Funding from the Government in 2020/21 and 2021/22 to help with the costs associated with the COVID19 pandemic. As has been regularly reported, the Council has utilised this funding to offset costs as well as the loss of income from Council Tax, Business Rates and Sales, Fees and Charges. It is now proposed to utilise the remaining funding (**£1.600m**) to fund some of the temporary pressures in 2024/25, some of which will have been caused by the impact of the pandemic.
- 9.15 A summary of the temporary measures, and available one-off funding, is shown below:

	2023/24	2024/25
	£'m	£'m
Proposed Temporary Budget Growth:		
- Energy Costs	4.200	2.100
- Sales, Fees and Charges Income	1.000	0.500
- Children’s Social Care – Social Worker Agency Costs / Managed Teams	3.300	0.000
- Pay Reserve	1.000	0.000
- General Balances	3.400	0.000
	12.900	2.600
- Net Council Tax / Business Rates Surplus	-13.923	0.000

- Excess Council Tax / Business Rates Surplus to be carried forward within General Balances to offset temporary pressures in future years.	1.023	-1.023
- Emergency Funding	0.000	-1.600
	-12.900	-2.623
Surplus One-off Funding	0.000	-0.023

10. Additional Funding

Council Tax Increases

- 10.1 The Government, as part of the Local Government Finance Settlement, has confirmed the Council Tax Referendum Principle of 3% for 2023/24. A 2.99% increase for Sefton (to ensure the Council wouldn't breach the principle) would generate **£4.523m** in 2023/24. The Local Government Policy Statement announced the intention for a 3% Core Referendum Principle to also apply in 2024/25 – it is estimated this would generate an additional **£4.780m**.
- 10.2 As mentioned in paragraph 4.1, local authorities have been given the power to raise Council Tax by a further 2% on top of the core principle as an Adult Social Care Precept. This would generate an additional £3.025m in 2023/24. The Local Government Policy Statement announced the intention for a 2% Adult Social Care Precept Principle to also apply in 2024/25– it is estimated this would generate an additional £3.197m.
- 10.3 Decisions on the Core Referendum Principle and the Adult Social Care Precept for 2024/25 and 2025/26 will be formally announced as part of the Local Government Finance Settlement in the December prior to the financial year.
- 10.4 A decision on the level of Council Tax is made by Budget Council each year. The 2022/23 Band C Council Tax is £1,569.58. It should be noted that as part of the Settlement the Government assumes local authorities will raise Council Tax by the maximum amount when calculating an individual authority's Spending Power and this will directly influence future years funding allocations.

11. Budget 2023/24 – Specific Issues

Charges Relating to External / Levying Bodies

- 11.1 The Council is required to pay charges relating to levies from external bodies. The expected payments for 2023/24 and their impact on Sefton's budget compared to 2022/23 is shown in the table below: -

<u>Levying Body</u>	<u>2022/23</u>	<u>2023/24</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	19,111,000	TBC	TBC
Waste Disposal Authority	15,876,545	TBC	TBC
Environment Agency	163,266	TBC	TBC

Agenda Item 9

Inshore Fisheries & Conservation Authority	71,501	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	35,316,812	TBC	TBC

The approved 2023/24 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

- 11.2 The proposed total increase in the Sefton Council Tax for 2023/24 will be reported to Budget Council following any recommendation from Cabinet.

Fees and Charges

- 11.3 As per Financial Procedure Rules, approved by Council, any increases to fees and charges for services for the next financial year are approved by the respective Cabinet Member. When decisions have been made, they will be published accordingly.

12. Dedicated Schools Grants (DSG) 2023/24

- 12.1 The Dedicated Schools Grant (DSG) is a ringfenced grant from the Department for Education (DfE) to fund education provision. It is made up of four main funding blocks:

- Schools – Mainstream schools and Academies.
- Early Years – Universal and additional entitlement for three and four-year olds; two-year old entitlement; and funding for maintained nursery schools.
- High Needs – Funding for the education of pupils with an identified special educational need and who will often be subject to an Education, Health and Care Plan (EHCP).
- Central School Services – Funding for centrally (Council) retained services, including school admissions.

- 12.2 In July 2022, the Government announced the indicative DSG funding for 2023/24 to support schools and High Needs. The schools funding was in line with the agreed Treasury growth to Education budgets of £1.5bn or 2% increase per pupil funding. In addition to this, the £1.6bn supplementary grant awarded to schools and High Needs in 2022/23, was integrated into the 2023/24 baselines.

- 12.3 High Needs funding increases were capped at 7% in 2023/24 compared against the 2022/23 formula. However, this was inclusive of the supplementary grant given in 2022/23.

- 12.4 Given the July funding announcement, schools were very concerned about having sufficient funding to meet the ever-growing cost pressures during 2022, caused primarily by inflation, particularly around energy and food prices, and also in meeting wage demands to match inflation, such as the 5% Teachers' pay increase from September 2022. There were deep concerns over the summer and autumn, that many schools would find it extremely difficult to remain in balance from 2023/24 and beyond, without recourse to severe staff and/or other cost reductions.

- 12.5 In the Autumn Statement in November 2022, the Chancellor did announce some extra funding for schools in 2023/24 (including High Needs) to support increasing cost pressures they faced. An additional £2.3bn was announced as being allocated for Schools and High Needs, although only £2bn was additional funding with £0.3bn being the saving achieved by schools due to the full year impact of the abolition of the National Insurance levy of 1.25% from November 2022.
- 12.6 The Education and Skills Funding Agency (ESFA) announced in December 2022, that the extra £2bn for Schools and High Needs in 2023/24, would be given as a separate grant, until subsumed into the Schools and High Needs Formula from 2024/25.
- 12.7 The split of this extra funding was announced in December, with Schools nationally set to receive an extra **£1.6bn** of the funding; and High Needs to receive the balance of **£0.4bn**.
- 12.8 Locally, the additional funding will add a further £1.8m to Sefton’s High Needs Block in 2023/24; and an indicative additional increase of £6.8m for Sefton Schools.
- 12.9 The additional £1.8m High Needs funding has been released as part of the DSG funding blocks for 2023/24 to ensure Local Authorities can passport funding to providers to support increased costs pressures. However, the schools’ allocation will not be included in the National Formula Funding (NFF) for 2023/24 but will be released as a specific grant to schools by the ESFA in March 2023. The DfE has provided the Council with the criteria that will be used for allocating this additional funding per school and officers have provided Headteachers with indicative allocations to support budget preparations for 2023/24.
- 12.10 The 2023/24 Dedicated Schools Grant settlement was announced on 16 December 2022. The 2023/24 National DSG allocation for Sefton of **£262.123m** is set out in the table below. This includes school Business Rates, pupil growth funding and the additional High Needs funding announced in the Autumn Statement but excluding the additional School funding as this will be allocated separately as a specific grant in March 2023.

2023/24 DSG Funding Allocations for Sefton are as follows:

<u>DSG Funding Blocks</u>	<u>DSG Funding 2023/24 (£m)</u>	<u>Increase (£m)</u>
Schools Block (SB)	196.514	10.929
Schools related Pupil Growth funding allocation	1.350	
Early Years Block (EY)	18.167	0.915
High Needs Block (HN)	44.630	4.573
Central Schools Services Block (CSSB)	1.462	0.050
Total allocated DSG funding 2023/24 (Per DfE Dec 2022)	262.123	16.467

Agenda Item 9

Schools Block

- 12.11 Sefton Schools Block will see a net increase in funding of **£10.929m** compared to 2022/23 (+5.84%). This figure includes the 2022/23 supplementary funding for schools of £5.446m (+2.91%) rolled into the 2023/24 funding baseline and including:
- Minimum headroom growth of +2.26% funding per pupil through the new Formula Funding (£4.218m).
 - Additional Net funding of (£1.204m) after taking account of changes in pupil numbers between October 2021 and October 2022 (i.e., a net increase +137.5 year on year) (+0.64%)
 - Uplifted calculation of funding for pupil class size growth based on changes to actual pupil numbers year on year (£0.061m) (+0.03%).
- 12.12 The above funding increases will ensure that the minimum funding levels per pupil in 2023/24 will increase to £4,405 per Primary pupil (£4,265 in 2022/23) and £5,715 per Secondary pupil (£5,525 in 2022/23).
- 12.13 The DfE are committed to implementing a centralised National Schools Funding Formula model (NFF) but making it mandatory has been delayed until at least 2025/26. However, the 2023/24 formula funding guidance now includes a +/-10% tolerance that local authorities must abide by when setting their formulae. This is to tighten up the move towards every local authority matching the NFF by 2025/26, when it is likely to become a highly centralised function of the DfE. Sefton have already adopted most the NFF methodology, differing only by the Age Weighted Pupil Unit per pupil funding elements, to enable the Authority to adapt for headroom growth. However, even these figures now must fit within the new +/-10% tolerance levels.
- 12.14 The Minimum Funding Guarantee (MFG) has been set at +0.5% in 2023/24 (+2% in 2022/23), which means that every school will see a minimum 0.5% increase per pupil compared to 2022/23 per pupil values.

School Deficit Balances

- 12.15 Sefton maintained Primary schools have a forecast overall surplus balance at the end of 2022/23 of £9.3m. However, this includes some forecast deficits across six schools of £0.450m and one closed Primary school with a closing deficit at the end of 2022/23 of £0.092m (to be funded from the School Deficit Earmarked Reserve). During the year, one Primary school converted to an Academy - Holy Spirit, and a further Primary school is due to convert with effect from 1 April 2023 - Bedford Primary school.
- 12.16 During 2022/23, two of Sefton's six maintained Secondary schools have converted to academies during the year – Sacred Heart with effect from 1 July 2022 and Savio with effect from 1 January 2023. The Sacred Heart transfer has seen part of a surplus retained by the local authority, at the point of conversion. Savio however, has a forecast deficit position at conversion of £0.363m, which will remain with the local authority in 2022/23 (to be funded from the School Deficit Earmarked Reserve). Of the remaining four maintained schools, two are forecast to be in surplus at the end of 2022/23 (£1.135m), whilst the other two are forecast

to be in a deficit by £1.081m. These latter two - Holy Family High and Christ the King are under a licenced deficit and trying to recover this position through a recovery plan. Another of the Maintained Secondary schools, Meols Cop, is due to convert with effect from 1 April 2023, which will then leave the Authority with just three Maintained Secondary Schools in 2023/24. In addition to the above schools in deficit, the Pupil Referral Unit - Impact is also under a licenced deficit but this deficit position has reduced during 2022/23 due to a series of budget reductions involving redundancies. Licensed deficit budgets must be signed off by the Council's Section 151 Officer and Statutory Director of Children's Services (DCS).

- 12.17 Although the additional funding announced in the Chancellor's Autumn statement for 2023/24 is helpful, it is not thought to deal with the ongoing high levels of pay and price inflation, and many more schools could find themselves in a deficit position over the next 12 to 18 months as a result. As at November 2022, inflation is running at 10.7%. Schools may well still need to reduce staffing and other budgets to balance their budgets in 2023/24, with many school balances being used up in the interim, during a process of reduction, where this is possible.

Early Years Block

- 12.18 Early Years funding announced in December 2022, provides Sefton with **£18.167m** in 2023/24, an increase in funding of +£0.915m on 2022/23. However, £0.361m of this increase is due to the transfer into the Early Years National Formula, of the separate grant previously paid via local authorities to pass on to their own nursery schools (including Maintained Nursery schools) for the 2019/20 and 2020/21 Teachers Pay and Teachers Employers pensions costs. The grants are included in the 3–4-year-old hourly rate and the Maintained Nursery schools protected funding. New additional Early Years funding in 2023/24, represents an increase of just +2.1% overall (£0.554m) with larger base rate increases attributed to 3–4-year-old funding (+3.5%) than to 2-year-old funding (1.1%), and with Sefton's 3–4-year-old funding protected at the national funding floor level.
- 12.19 The Early Years funding to Sefton will be adjusted further in Summer 2023, dependent on the Headcount census numbers as of January 2023 compared against January 2022.
- 12.20 As part of the Government Spending Review announced in October 2021, Early Years funding nationally, was set to increase by £160m in 2022/23; £180m in 2023/24 and by a further £170m in 2024/25. This programme of funding has been adhered to, so far.
- 12.21 Over the last five years the local authority hourly base rate allocations have increased using the agreed national flat rate basis provided by the DfE. However, the DfE has changed this 'flat rate' approach from 2023/24 to avoid ongoing skewed funding allocations across the country. The DfE has also applied an updated datasets to the Early Years formula following a brief consultation in the Summer of 2022.
- 12.22 The Schools' Forum has approved the Hourly Base rates payable to Sefton Providers (after the permitted / normal retention of Early Years local authority support costs) to be applied with effect from 1 April 2023.

Agenda Item 9

- 12.23 The only element of funding not approved, relates to the Teachers Pay and Teachers Employers Pensions element (£0.10p allocation per hour). The Authority will consult with representatives from the sector and will await guidance from the DfE as to how this may be best distributed. The original funding from the DfE as a separate grant just to local authority Nursery schools, in respect of pay increases from 2019/20 and 2020/21, related to qualified Nursery Teachers. However, some Private, Voluntary or Independent Nursery schools also employ qualified teachers and so may qualify for some of this allocation since its inclusion into the Early Years Formula allocations.
- 12.24 The DfE have suggested that Local Authorities may wish to avail themselves of applying a 'Quality Supplement' within their local funding regime to allocate this funding. Local Authorities should also offer further guidance as to how this additional funding element might be used from 2023/24. The allocation of the funding may be based on the number of full-time equivalent Nursery teachers employed across the sector and the data is recorded in the January Workforce Headcount census. Based on the number of full-time equivalent teachers, the funding could then be simply split out to providers, or perhaps the funding, could be allocated in line with previous allocations when the funding was paid via a separate grant only to the Nursery schools, but this is not straightforward when using the DfE Early Years model to use for local funding allocations. Any decision over this additional element of funding will be made before the end of March 2023 after consultation via the Early Years Development Group and this will subsequently be fed back to the Schools Forum in March 2023.
- 12.25 The Maintained Nursery Schools continue to receive a protection subsidy, which in 2023/24 will see an increase to the hourly rate of £0.14p per hour following a national uplift to the subsidy.

High Needs Block

- 12.26 Below, is the analysis of Sefton's High Needs funding for 2023/24 compared against 2022/23, which includes the supplementary grant from 2022/23 (£1.478m) rolled into the 2023/24 Baseline figures; along with Sefton's proportion of the £2bn additional funding awarded to Schools in the Autumn statement (£1.827m) for 2023/24. It also shows the funding after DfE deductions are made from Sefton's allocation, to equalise the funding between local authorities for pupils attending special schools' cross-boundary from where they live; and to pay for Special Educational Needs and Disabilities (SEND) places for Sefton pupils attending any special academy schools and colleges of further education. Net funding to Sefton is therefore **£44.630m** in 2023/24.

<u>High Needs funding</u>	<u>2022/23</u> <u>£m</u>	<u>2023/24</u> <u>£m</u>	<u>Change in</u> <u>funding</u> <u>£m</u>	<u>%</u> <u>Increase</u>
High Needs Funding Floor	£35.843m	£38.304m	+£2.461m	
Supplementary funding from 2022/23 rolled into 2023/24 baseline (£1.478m)	£1.478m	£1.478m	£0	
Basic Entitlement	£3.182m	£3.467m	+£0.285m	

Agenda Item 9

Element for Teachers Employers Pay and Pensions (2019/20 – 2020/21) @£660 per pupil in Special Schools & a fixed sum for AP/Hospital schools	£0.680m	£0.726m	+£0.046m	
Funding to Sefton's High Needs Baseline funding	£41.183m	£43.975m	£2.792m	+6.78%
Supplementary Funding awarded 2023/24		£1.827m	£1.827m	+4.44%
Total High Needs Block Funding before ESFA deductions/Top-Slicing	£41.183m	£45.802m	£4.619m	+11.22%
<u>Less ESFA Deductions</u>				
Net adjustment re the Import/Export of pupils between LA areas @ £6k per pupil	£-0.246m	£-0.264m	-£0.018m	
Top-Slice of Sefton's High Needs funding by the ESFA to pay for Pre and Post 16 Sefton pupils Placed in Special Academies and Academy Alternative Provision and Colleges of FE	£-0.880m	£-0.908	£-0.028m	
Total Net High Needs Funding for Sefton's direct provision without any Schools Block transfer of funding.	£40.057m	£44.630m	£4.573m	+11.42%

12.27 Under the normal funding allocation announced in July, Sefton's High Needs funding has increased by +6.78% being very close to the national cap increase at 7% but this includes the 2022/23 supplementary funding awarded. Following the extra funding announced in the November Autumn statement, this has increased further, to over 11.4% and increased the overall funding by a net **£4.573m**.

12.28 The Local Authority has asked all mainstream schools / the Schools' Forum to agree to a 0.5% top-slice contribution of the schools' block funding towards using this earmarked funding to support SEND cost pressures in the most inclusive mainstream school settings and prevent the potential movement of SEND children into more expensive specialist placements and thus increase cost pressures on the High Need Budget in 2023/24. The Schools' Forum approved this top-slice at its meeting on 16 January 2023.

12.29 Sefton's High Needs budget continues to face severe cost pressures and is forecast to overspend by £5m in 2022/23, which would take the accumulated deficit balance on High Needs to over £17m by the end of 2022/23. The 2014 SEND reforms, while raising expectations and extending support from birth to 25 years, did not initially come with adequate uplifts in funding to reflect the significant increased cohort numbers and complexity of children and young people. The local authority's expanded duties towards 19-25-year-olds included

Agenda Item 9

within the reforms were never funded sufficiently to meet this new responsibility. Funding increases in the last four years continue playing “catch up” with the increased levels of expenditure.

- 12.30 Some of the initiatives to help reduce costs and generate future cost efficiencies have started to be rolled out during 2022/23, with Cabinet approval in 2021 to invest over £2m over two years in a rightsizing of our Special schools’ budgets and places, and in growing the number of in-house places in special schools and resourced units to meet future demand.
- 12.31 Ongoing work is underway on engaging with mainstream schools to help them become more inclusive, and able to take additional numbers of SEND children as numbers of children with SEND and Education Health and Care Plans continues to increase; A new 30 place Secondary SEND provision is being planned at Formby High School from September 2023, and an expansion of Presfield special school into St Teresa’s former school building as a school for younger aged children with SEND. New nurture groups are being supported to provide small group teaching and assistance for SEND children in many of our mainstream schools during 2022/23, at much reduced cost to providing expensive 1:1 provision; and a number of mobile classrooms have been set up from September 2022, to enable an expansion of in-house SEND places.
- 12.32 Much more work is required in 2023/24 and over the coming years. Further investment will be necessary to expand special school places and the local authority has been given significant Capital funding in 2022/23 and 2023/24 to help this process. It is hoped, that by growing in-house places across the Council’s current provision, that this will help reduce (though not eliminate) the need for high cost, out of Borough placements at independent special schools and non-maintained special schools in the future.
- 12.33 The Delivering Better Value (DBV) Programme has commenced in January 2023 and will bring representatives appointed by the DfE together with key officers of the Authority, to share and analyse our High Needs data and decision making, with a view to ensuring our actions to restrain and control High Needs spending are in line with general best practice and that they are the right approach to take. This programme does carry with it some funding nationally (£55m), which could be made available for local authorities to develop in-house changes, through a bidding process. However, the DBV programme will not be prescriptive on the Council, nor will it carry funding to off-set any of the accumulated deficit on High Needs. Members will continue to be kept updated on High Needs on an ongoing quarterly basis.
- 12.34 It can be seen that the additional £4.6m budget for 2023/24 will meet the financial pressure from 2022/23 (although not the full-year effect), however despite this and the measures being introduced, it is currently forecast that a significant in year overspend in 2023/24 will still materialise. The cumulative deficit on the High Needs budget is estimated to be £18.1m at the end of 2022/23 – therefore this will increase significantly by the end of 2023/24.
- 12.35 Central government has announced that the ringfencing of this deficit will continue until the end of 2025/26, however the position after this point is uncertain. At this stage there is no evidence to suggest this deficit will be met from central

government. To this point, government have been clear that high needs deficits are part of the Dedicated Schools Grant and should not impact on council services. Whilst this current approach does give councils some comfort it cannot be relied upon that this position will continue and ultimately this deficit will need to be met. It is therefore essential that the service's strategic and operational plans result in it delivering the service within the annual allocation at the earliest opportunity and indeed start to reduce the accumulated deficit. The support of the DfE led Delivering Better Value Programme will help this but this position needs to be reached as soon as possible- this was detailed in the report to Cabinet on 28 July 2022.

- 12.36 In the absence of the government meeting this deficit for the Council (and all councils) if the deficit is not reduced annually it will ultimately need to be met from either the DSG (which would impact on funding available for the education sector) or the Council- a deficit of over £20m cannot be met from the Council based on the resources that are available to it or the reserves that are held and as such this would be a major risk to financial sustainability, hence the need for the strategic and operational plans needing to be robust, deliverable and affordable. The development and monitoring of these plans needs to be a key feature of the quarterly reports to Cabinet and Council.

Central School Services Block

- 12.37 The Central School Services Block (CSSB) has funding of **£1.462m** in 2023/24 (an increase of £0.050m on 2022/23) to cover ongoing historic costs and centrally retained DSG. The historic costs include combined budgets for the running of the Professional Development Centre (PDC) in Formby and Grounds Maintenance and mothballing costs for former closed schools. Ongoing current costs supported by this Block include Free School Meals checking; School Licences; School admissions work including new duties and responsibilities and the education statutory duties of the Local Authority across all schools which was previously funded by the Education Services Grant (ESG).
- 12.38 Since 2019/20, the funding to support historic costs is being reduced by 20% each year by the DfE until it ends by 2025/26; and there is an expectation that local authorities will find alternative ways of funding these activities or cease providing such activities altogether. From April 2022, the use of the PDC has been altered, to include some office accommodation for Education Excellence staff with sharing of centre running expenses; as well as charging all users, including schools, for room hire, to make the Centre more self-sufficient financially and less reliant on the reducing DSG support. Further work is still required however, around the ongoing costs and future of maintaining some of the former school sites.

13. Other Government Grant Notifications and Other Funding 2023/24

- 13.1 The Government have announced grant notifications for 2023/24 in the areas identified below. Should any further information be supplied on other grants, this will be included in a separate update to Cabinet / Council.

Agenda Item 9

Homelessness Prevention Grant

- 13.2 The government announced a new grant to support homelessness in 2021/22, the Homelessness Prevention Grant. This combined two grants previously received, the Flexible Homelessness Support Grant and the Homelessness Prevention Grant. The allocation for 2022/23 was initially £0.558m, although an additional one-off Winter Top-Up of £0.087m was provided later in the year to support local authorities to help prevent vulnerable households from becoming homeless and manage local homelessness pressures. The 2023/24 main allocation has increased to £0.582m, with a further increase to £0.613m to follow in 2024/25. It is proposed that the 2023/24 and 2024/25 allocations will continue to be allocated to appropriate Homelessness budgets.

Homes for Ukraine

- 13.3 In December 2022, the Government announced a £650 million support package to support Ukrainian and Afghan refugees and reduce homelessness. This includes: a new £500 million Local Authority Housing Fund will help local councils in England provide up to 4,000 homes by 2024; and £150m additional funding for local authorities across the UK to help support Ukrainian guests move into their own homes and reduce the risk of homelessness.
- 13.4 Allocations of the £150m, which can also be used to support other people at risk of homelessness, have yet to be announced. It is proposed that the 2023/24 and allocation will be allocated to appropriate Homelessness budgets.

Supporting Families Programme

- 13.5 The total funding for Supporting Families in 2023/24 will be £235 million, which is part of planned investment in the programme across the three years of the Spending Review (2022/23 – 2024/25) of £695m.
- 13.6 Indicative funding for individual local authorities has yet to be announced. It is proposed that the 2023/24 and 2024/25 allocations will continue to be allocated to the appropriate budgets as in previous years.

14. Summary of Budget Proposals for 2023/24

- 14.1 As a result of the information contained within this report the bridging of the 2023/24 funding gap is shown as follows:

	2023/24
	£'m
Revised MTFP Funding Gap	10.418
Local Government Finance Settlement	-20.070
Potential Growth to the Budget	24.948
Proposed Budget Savings	-7.748
Revised MTFP Funding Gap – excluding Council Tax	7.548

Council Tax – Core increase (TBC%)	TBC
Adult Social Care Precept (TBC%)	TBC

A summary of the budget for 2023/24 is shown at Appendix C (note that for illustrative purposes this assumes a Council Tax increase of 4.99% in 2023/24).

15. Precepts

a. Police & Crime Commissioner and Fire & Rescue Authority Precepts

The Police and Crime Commissioner is due to set a budget / precept for 2023/24 on 21 February 2023. The Fire and Rescue Authority is due to set its budget / precept for 2023/24 on 23 February 2023.

	Precept			Band C		
	2022/23	2023/24	Change	2022/23	2023/24	Change
	£	£	£	£	£	%
Police	19,945,860	TBC	TBC	210.64	TBC	TBC
Fire	7,037,487	TBC	TBC	74.32	TBC	TBC

The approved 2023/24 figures will be reported at Budget Council.

b. Liverpool City Region Mayoral Precept

To be able to deliver the Mayor's key priorities in 2023/24 a Mayoral Precept is levied on Council Taxpayers across the region, with no increase in the Band C charge approved at the Authority's meeting on 20 January 2023.

	Precept			Band C		
	2022/23	2023/24	Change	2022/23	2023/24	Change
	£	£	£	£	£	%
Mayoral	1,599,238	TBC	TBC	16.89	16.89	0.00

The approved 2023/24 figures will be reported at Budget Council.

c. Parishes

The Parish precepts variations that have been set are shown below:

	Precept			Band C		
	2022/23	2023/24	Change	2022/23	2023/24	Change
	£	£	£	£	£	%
Aintree Village	160,500	TBC	TBC	70.29	TBC	TBC
Formby	104,327	TBC	TBC	10.22	TBC	TBC
Hightown	25,000	TBC	TBC	25.86	TBC	TBC
Ince Blundell	2,565	TBC	TBC	13.74	TBC	TBC
Little Altcar	3,870	TBC	TBC	10.22	TBC	TBC

Agenda Item 9

Lydiate	194,694	TBC	TBC	83.00	TBC	TBC
Maghull	830,916	TBC	TBC	108.63	TBC	TBC
Melling	39,655	TBC	TBC	32.28	TBC	TBC
Sefton	12,000	TBC	TBC	38.34	TBC	TBC
Thornton	8,000	TBC	TBC	9.16	TBC	TBC
	1,381,527	TBC				

The approved 2023/24 figures will be reported at Budget Council.

16. Recommended Council Tax for 2023/24

- 16.1 Council is recommended to approve the Budget for 2023/24, as set out in the main report.
- 16.2 The recommended overall Band C Council Tax to be raised for 2023/24 (excluding Parish Precepts) is as follows: -

	2022/23	2023/24	Increase
	£	£	%
Sefton	1,569.58	TBC	TBC
Police & Crime Commissioner	210.64	TBC	TBC
Fire & Rescue Authority	74.32	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	1,871.43	TBC	TBC

The recommended Council Tax for 2023/24 will be reported to Budget Council

17. Capital Programme 2023/24 to 2025/26

- 17.1 Each year, Budget Council approves the detailed capital programme for the forthcoming year following notification from central government of any grant allocations that are to be received. This is aside from any in year approvals in respect of the growth and strategic investment programme for which comprehensive business cases are provided as schemes are developed and funding sources are identified. The three remaining significant grant allocations received by the Council are in respect of Adult Social Care, schools and transport. Due to the funding conditions, these grants will be utilised within the relevant services, and these are shown at Appendix D, in addition to the proposed use of the Better Care Fund and all other schemes in the Capital Programme. It should be noted that these are indicative grant allocations only and will be updated in future reports to Cabinet and Council once the allocations have been confirmed by Government and the Liverpool City Region Combined Authority.

18. Business Rates – Removing Schools Discretionary Top Up Relief

- 18.1 Under Section 47 of the Local Government Finance Act 1988 the Council has the power to grant discretionary rate relief to charities and non-profit making bodies.

Charities are eligible for 80% mandatory rate relief and the Council has discretion to top this up to 100%.

- 18.2 Since the introduction of National Non-domestic Rates in 1990 the Council has automatically awarded 20% discretionary top-up relief to voluntary aided / church schools. Discretionary relief is currently being awarded to 39 schools ranging from £1,485 to £24,064 per school at a total cost of around £229,000 in 2022/23. It should be noted that the individual schools do not benefit directly from the relief; schools are effectively charged in line with the amounts included in their DSG allocations, with these amounts credited to the Centrally Retained DSG budget. The actual Business Rates bills, including reliefs, are charged to the Centrally Retained DSG budget. The resulting surplus is used to offset unexpected charges in Business Rates for schools.
- 18.3 At the time the decision was made to award this relief the Government made a contribution to meet the cost under the national pooling arrangements. However, this is no longer the case under the current 100% business rates retention arrangements. The cost is currently met by the Council (99%) and the Merseyside Fire & Rescue Authority (1%).
- 18.4 A decision was made by Council in 2012 to remove the budget for all discretionary relief awards, however, the schools' top-up relief was able to be funded by recharging the Council's share of the costs to the Centrally Retained DSG Budgets. This allowed the Centrally Retained DSG Budgets to continue to partially benefit from the relief whilst limiting the impact on Council Taxpayers.
- 18.5 However, from 1 April 2022, schools' business rates are no longer paid directly by the schools themselves. Instead, the bills are being paid by the Education and Skills Funding Agency (ESFA), with DSG allocations to individual schools having been reduced to reflect they are no longer being charged for Business Rates. As a result, the Council will no longer be able to recharge a share of the cost of the award in future years to the Centrally Retained DSG budget. This is estimated to result in a loss of income of £112,000 per annum.
- 18.6 When considering whether to discontinue awarding discretionary top-up relief to schools, the Council needs to carefully consider the interests of local council taxpayers, the impact on local service provision, the impact on the schools affected, as well as the Council's wider financial position and the priorities outlined in the Council's Corporate Strategy.
- 18.7 However, as mentioned in paragraph 18.5, there will be no impact on the individual schools, or the Centrally Retained DSG budget, of removing the relief as the ESFA now pays the demands. The ESFA now benefits from the relief as the amount required to be taken from DSG budgets was based on the Business Rates bills before relief was applied.
- 18.8 If the Council chooses to remove the discretionary top-up award from voluntary aided / church schools, then it must give at least 12 months' notice of its intention to do so.
- 18.9 Removing the automatic discretionary top-up relief would also be consistent with the way that the Council treats Academy Schools. Academies also have charitable

Agenda Item 9

status; however, the Council does not automatically award 20% discretionary top-up relief to these schools and any existing top-up award is removed from voluntary aided / church schools when they transfer to academy status.

List of Appendices

- A. Individual School Budgets 2023/24
- B. Budget Saving Proposals
- C. Draft Council Budget Summary 2023/24
- D. Capital Programme 2023/24 – 2025/26

<u>SCHOOLS FORMULA FUNDING ALLOCATIONS 2023/2024</u>	
<u>AFTER AGREED DE-DELEGATION OF FUNDING FROM MAINTAINED SCHOOLS</u>	
<u>FIGURES EXCLUDE ANY SUPPLEMENTARY GRANT ARISING FROM THE AUTUMN STATEMENT</u>	<u>BUDGET</u>
<u>WHICH WILL BE ANNOUNCED IN THE SPRING ON AN INDIVIDUAL SCHOOL BASIS AND PAID AS</u>	<u>2022/23</u>
<u>A SEPARATE GRANT TO SCHOOLS IN 2023/24.</u>	<u>£</u>
TOTAL FORMULA FUNDING LEVELS - SCHOOLS 2023/2024	195,272,812
<u>PRIMARY PHASE - MAINTAINED SCHOOLS</u>	
Ainsdale St John's Church of England Primary School	973,206
Aintree Davenhill Primary School	1,841,290
All Saints Catholic Primary School	1,792,576
Bedford Primary School	2,039,662
Birkdale Primary School	1,850,100
Bishop David Sheppard Church of England Primary School	900,649
Christ Church Church of England Controlled Primary School	1,971,764
English Martyrs' Catholic Primary School	1,881,885
Farnborough Road Infant School	1,515,320
Farnborough Road Junior School	2,101,185
Forefield Community Infant and Nursery School	1,202,939
Forefield Junior School	1,581,395
Freshfield Primary School	1,026,365
Great Crosby Catholic Primary School	3,250,890
Green Park Primary School	946,819
Hatton Hill Primary School	1,707,711
Holy Family Catholic Primary School	972,279
Holy Rosary Catholic Primary School	1,863,315
Hudson Primary School	1,106,203
Kings Meadow Primary School and Early Years Education Centre	940,249
Lander Road Primary School	1,107,023
Larkfield Primary School	1,305,428
Linacre Primary School	915,473
Linaker Primary School	1,935,537
Lydiate Primary School	984,445
Marshside Primary School	869,448
Melling Primary School	980,222
Netherton Moss Primary School	1,153,561
Northway Primary School	1,391,980
Norwood Primary School	2,713,480
Our Lady of Compassion Catholic Primary School	929,455
Our Lady of Lourdes Catholic Primary School	1,947,010
Our Lady of Walsingham Primary School	1,007,573
Our Lady Queen of Peace Catholic Primary School	828,213
Our Lady Star of the Sea Catholic Primary School	1,117,527
Redgate Community Primary School	1,125,543
Rimrose Hope CofE Primary School	1,559,365
Springwell Park Community Primary School	2,082,343
St Benedict's Catholic Primary School	1,023,960
St Edmund's and St Thomas' Catholic Primary School	1,387,834
St Elizabeth's Catholic Primary School	2,053,514
St George's Catholic Primary School	942,417
St Gregory's Catholic Primary School	941,208
St Jerome's Catholic Primary School	889,810
St John Bosco Catholic Primary School	938,265
St John's Church of England Primary School	879,588
St John's Church of England Primary School	936,657
St Luke's Church of England Primary School	1,647,470

Agenda Item 9

Appendix A

St Luke's Halsall Church of England Primary School	963,427
St Mary's Catholic Primary School	563,791
St Monica's Catholic Primary School	1,998,863
St Nicholas Church of England Primary School	933,860
St Oswald's Church of England Primary School	1,040,343
St Patrick's Catholic Primary School	1,510,915
St Philip's Church of England Controlled Primary School	1,016,538
St Philip's Church of England Primary School	965,264
St Robert Bellarmine Catholic Primary School	972,228
St William of York Catholic Primary School	1,049,501
Summerhill Primary School	934,041
The Grange Primary School	1,424,816
Thomas Gray Primary School	1,246,551
Trinity St Peter's CofE Primary School	916,240
Ursuline Catholic Primary School	1,801,645
Valewood Primary School	941,985
Waterloo Primary School	1,814,639
Woodlands Primary School	1,387,575
	88,542,376
<u>SECONDARY PHASE - MAINTAINED SCHOOLS</u>	
Christ The King Catholic High School and Sixth Form Centre	4,665,466
Holy Family Catholic High School	5,052,955
Maricourt Catholic High School	6,225,340
Meols Cop High School	5,701,285
	21,645,047
<u>PRIMARY ACADEMY SCHOOLS</u>	
Churchtown Primary School	3,052,665
Holy Spirit Catholic Academy	986,312
Holy Trinity Church of England Primary School, Southport	1,088,951
Kew Woods Primary School	1,831,938
Litherland Moss Primary School	1,113,699
Shoreside Primary School	789,955
St Andrews Church of England Primary School, Maghull	1,098,718
St Thomas Church of England Primary School, Lydiate	929,455
	10,891,693
<u>SECONDARY ACADEMY/FREE SCHOOLS</u>	
Birkdale High School	5,302,801
Chesterfield High School	8,082,871
Deyes High School	6,715,125
Formby High School	5,103,495
Greenbank High School	6,035,876
Hillside High School	4,900,397
King's Leadership Academy Hawthornes	4,203,402
Litherland High School	4,685,409
Maghull High School	6,189,712
Range High School	5,224,704
Sacred Heart Catholic College	5,349,858
Savio Salesian College	3,523,652
St Michael's Church of England High School	3,933,090
Stanley High School	4,943,305
	74,193,697

Budget Proposals 2023/24 – 2025/26

Service Area	Proposal	Description	Proposed Net Budget Reduction 2023/24	Proposed Net Budget Reduction 2024/25	Proposed Net Budget Reduction 2025/26
			£'m	£'m	£'m
Public Health	Utilise Grant funding to support public health and wellbeing at leisure centre provision	Anticipated future increases in Public Health funding would be used to contribute towards the increased costs of public health and wellbeing at the Council's leisure centres. Public Health activity would continue to operate within existing funding levels	-0.500	-0.500	0.000
Adult Social Care	Further Demand Management savings	Additional saving above the £1m already included within the MTFP – see table below	-1.200	0.000	0.000
Council Wide	Temporary freezing of specific vacant posts	Specific current vacant posts would be frozen until the end of 2023/24. Services would be expected to operate within their reduced staffing establishments. There is a risk that this saving will impact on the capacity to deliver certain aspects of service and this risk will need to be managed.	-1.255	1.255	0.000
Corporate Resources	Review of pension contributions for next three years	A comprehensive review of the pension contributions following the triennial valuation will result in savings of £1.9m and £0.7m in 23/24 and 24/25 respectively.	-1.900	-0.700	-0.700
Corporate Resources	Pension contributions – annual upfront payment	Prepaying a proportion of annual pension contributions upfront will result in an annual saving of £0.2m (net of foregone investment income)	-0.200	0.000	0.000

Corporate Resources	Review of all non staffing budgets across Service	The service has undertaken a comprehensive review of non staffing budgets and following this the budget will be released. There is a risk that this saving will impact on the services' capacity to support front line services and this risk will need to be managed.	-0.300	0.000	0.000
Corporate Resources	Reduction in Unfunded Pension Increases	The Council budgets for the cost of making additional pension payments to certain employees (and teachers) who retired a number of years ago. The total payments are forecast to reduce by £0.100m annually.	-0.100	-0.100	-0.100
Corporate Resources	Council Tax Premium on Empty Properties over 10 years (300%)	The Council currently charges a premium of 200% on properties that have been empty for more than five years. Legislation allows for charging a premium of 300% for properties that have been empty for more than 10 years. This was previously approved by the Council on 19 th January.	-0.098	0.000	0.000
Corporate Resources	Energy-Closure of Council Buildings	Savings from closing certain Council buildings- St Peter's House, Pavilion and Crown Buildings and Ainsdale Hope	-0.440	0.000	0.000
Corporate Resources	Treasury Management savings (temporary from interest rate increases)	Temporary increase in investment income from interest rate increases	-0.500	0.500	0.000
Communities -	Increased Fees and Charges – Leisure	Fees and charges for Leisure related activities to be increased to contribute to significant increase in costs relating to inflationary pressures, especially energy. Increase is below inflation	-0.200	0.000	0.000
Economic Growth & Housing	Regeneration - Growth Budget Staffing savings - net	This saving would be achieved through the capitalisation of staffing costs against projects. This is reliant on the continuation of the Growth and Strategic Investment programme and the	-0.134	0.000	0.000

		availability of funding in order to deliver an ongoing saving.			
Economic Growth & Housing	Recharge of senior staff to existing Growth Budget	Senior staff that support the GSI programme and will be charged to the associated Growth Budget. This will deliver a saving against the staffing budget but will reduce the funding available for project development.	-0.116	0.000	0.000
Highways and Public Protection	Reduction in Highways Maintenance Works Budget (15%)	A general reduction on highways maintenance budgets by 15%. The impact on maintenance will vary year on year depending on lifecycle and condition of highways. This should be considered alongside the increase in capital investment in the next few years following the receipt of additional resources from the LCRCA.	-0.500	0.000	0.000
Highways and Public Protection	Inflationary increase in Car Parking Fees and Charges	This proposal is to increase car parking fees and charges to take into account current increases in inflation. Parking charges have not been increased for several years. Future demand levels have been factored into this net saving.	-0.125	0.000	0.000
			-7.568	0.455	-0.800

Adult Social Care – Demand Management Savings

Proposal	Description	Proposed Net Permanent Budget Reduction 2023/24
		£'m
Develop strategic plans for New Directions	Work with New Directions to transform services that will support savings elsewhere such as growth of Shared Lives and fully utilising Day Care Block contract. Work to exit the Domiciliary Care Market whilst increasing Reablement service. Support them in partnership to consider other efficiency programmes internally including income generation options	-1.000
Improve access to early intervention and prevention so that people can stay independent, if possible, without the need for high-cost services.	Aim to maximise independence and reduce the numbers of individuals accessing residential support. Ensuring that there is a focus on prevention in care plans undertaken by social workers.	-0.250
Reviewing outcomes for people receiving joint care and support commissioned by health and social care	Outcome based reviews carried out jointly with health colleagues - this work will be aligned with improvement plans in NHS Sefton Place team.	-0.250
Review of Transport policy and offer aligned to personalisation and independence.	Working with individuals and families to ensure utilisation of a range of transport opportunities including independent travel where appropriate. Working collaboratively with transport providers to ensure effective use of resources and routes.	-0.050
Direct Payments policy and Process Review aligned to national best practice	Working with families to ensure timely review of Direct Payment accounts and appropriate reconciliation of funds aligned to a social work review.	-0.400

Expansion of the mental health recovery team whose remit is to re- enable people with mental health issues and improve their independence and recovery.	Expanding and maximising opportunities for people being discharged from hospital to access additional mental health support reducing or delaying the need for formal support services.	-0.250
Total Savings		-2.200
Saving level approved as part of the 2023/24 Budget Plan		-1.000
Additional Savings Proposed		-1.200

This page is intentionally left blank

Council Budget Summary 2023/2024

Appendix C

Line Ref	Service	Base Budget 2022/2023 £	Draft Base Budget 2023/2024 £
1	Strategic Management	4,038,050	3,922,050
2	Adult Social Care	102,886,700	110,728,200
3	Children's Social Care	52,876,050	73,676,050
4	Communities	18,611,150	18,411,150
5	Corporate Resources	6,916,950	7,494,950
6	Economic Growth and Housing	6,810,750	6,810,750
7	Education Excellence	11,556,150	15,156,150
8	Health and Wellbeing	19,373,900	19,373,900
9	Highways and Public Protection	11,507,650	10,882,650
10	Operational In-House Services	17,137,000	17,508,300
11	Other Services	2,923,000	2,823,000
12	Net Cost of Services	254,637,350	286,787,150
13	Debt Repayment / Net Interest	8,605,800	8,101,800
14	Sub total	263,243,150	294,888,950
15	Levies	35,222,300	36,172,300
16	Application of Provisions / Reserves / Corporate Expenditure	-13,268,800	8,688,050
17	Capitalisation	-1,566,000	-1,566,000
18	Corporate / One-Off Savings	-1,862,550	-1,000,750
19	Inflationary Items to be Allocated	-1,678,569	4,090,173
20	Corporate Savings to be allocated to Services	0	-2,995,000
21	Total	280,089,531	338,277,723
22	Specific Government Grants	-22,624,300	-22,624,300
23	Non-Specific Government Grants	-49,731,790	-60,536,100
24	Total	207,733,441	255,117,323

Council Budget Summary 2023/2024

Line Ref	Service	Base Budget 2022/2023 £	Draft Base Budget 2023/2024 £
25	Increase in General Balances	2,892,000	4,423,000
26	Total Budget Requirement	210,625,441	259,540,323
27	Add Parish Precepts	1,381,527	1,381,527
28	Total Net Expenditure	212,006,968	260,921,850
<u>SUMMARY OF GENERAL BALANCES</u>			
29	Balances Brought Forward	9,099,056	11,991,056
30	Increase in Balances	2,892,000	4,423,000
31	Balances Carried Forward	11,991,056	16,414,056

<u>FINANCING OF SEFTON'S BUDGET REQUIREMENT</u>		
Total Budget Requirement	210,625,441	259,540,323
Less: Revenue Support Grant	0	0
Top-Up Grant	-22,151,223	-23,917,167
Business Rates Receipts	-38,148,773	-75,095,646
Collection Fund Deficit / Surplus (-) - Council Tax	-1,699,036	-1,715,762
Sefton Requirement from Council Tax	148,626,409	158,811,748
Band D Council Tax	1,765.78	1,853.90
Illustrative Council Tax Increase	2.99%	4.99%

Capital Programme 2023/24 - 2025/26

Capital Project	Budget		
	2023/24 £	2024/25 £	2025/26 £
Adult Social Care			
Digitising Social Care	405,000	-	-
ICT Development & Transformation	392,851	-	-
Care Home Improvements	550,000	-	-
Retail Model within Health and Wellbeing Hubs	450,000	-	-
Extra Care Housing	750,000	750,000	-
Short Term Assessment Unit	860,000	860,000	860,000
New Directions Programme	379,038	-	-
Technology Enabled Care	163,750	-	-
Community Equipment Stores	100,000	-	-
Programme Support	50,000	-	-
Children's Social Care			
Support for Fostering Placements	100,000	-	-
Communities			
Dunes Splashworld – Essential Repairs	43,781	-	-
Bootle Leisure Centre – Roof Replacement	209,000	-	-
Libraries - Centres of Excellence	188,019	-	-
Section 106 Funded Projects	26,861	-	-
Corporate Resources			
Council Wide Essential Maintenance	1,547,897	-	-
Economic Growth & Housing			
Strategic Acquisitions - Ainsdale	836,423	-	-
Marine Lake Events Centre	13,268,773	37,948,199	14,494,273
Enterprise Arcade	1,245,000	61,500	-
Transformations De Southport	1,847,000	500,000	-
Strand Business Plan	375,000	75,000	292,846
Strand Repurposing Project	680,000	-	-
Brownfield Fund for Housing Development	1,032,281	-	-
Southport Pier	3,000,000	-	-
Education Excellence			
Schools Programme	9,371,282	7,055	-
Planned Maintenance	50,000	-	-
Special Educational Needs & Disabilities	5,064,244	-	-
Basic Needs	878,823	-	-
Highways and Public Protection			
A565 Route Management Strategy	778,014	-	-
A59 Route Management Strategy	589,000	-	-
Active Travel Schemes	1,520,000	-	-
LED Street Lighting Upgrade	3,605,580	3,662,630	-
Millers Bridge	2,000,000	-	-
Transport Growth Programme	1,268,620	-	-
Highways Capitalisation	1,616,000	1,616,000	1,616,000

Agenda Item 9

Appendix D

	2023/24 £	2024/25 £	2025/26 £
Operational In-House Services			
Coastal Erosion and Flood Risk Management	2,372,701	1,306,000	-
Parks Schemes	110,919	-	-
Tree Planting Programme	19,769	19,769	-
Golf Driving Range Developments	280,280	-	-
Ainsdale Coastal Gateway	840,000	-	-
Green Sefton – Plant & Machinery	131,152	-	-
Vehicle Replacement Programme	1,779,494	-	-
TOTAL PROGRAMME	60,776,552	46,806,153	17,263,119

Grant Allocations 2023/24 to 2025/26 (indicative amounts)

Capital Grant	Block Allocation		
	2023/24 £	2024/25 £	2025/26 £
Adult Social Care			
Disable Facilities Grant ¹	4,823,370	4,823,370	4,823,370
Education Excellence			
Devolved Formula Capital (direct school allocation) ¹	363,104	363,104	363,104
Schools Condition Allocation ¹	2,426,403	2,426,403	2,426,403
Highways and Public Protection			
City Region Sustainable Transport Settlement ²	8,154,000	10,766,000	8,466,000
TOTAL	15,766,877	18,378,877	16,078,877

1. Indicative grant allocations based on amounts received in 2022/23. The actual allocations for 2023/24 and future years are still to be confirmed by the Department for Levelling Up, Housing and Communities and the Department for Education.
2. Provisional estimates of the grant allocation for 2023/24 and future years. The actual allocations for the City Region Sustainable Transport Settlement are still to be agreed by the Liverpool City Region Combined Authority.