Public Document Pack

Sefton Council

MEETING: CABINET

DATE: Thursday 8th February, 2024

TIME: 10.00 am

VENUE: Birkdale Room, Town Hall, Southport

DECISION MAKER: **CABINET**

Councillor Atkinson (Chair)
Councillor Cummins
Councillor Doyle
Councillor Fairclough
Councillor Hardy
Councillor Howard
Councillor Lappin
Councillor Moncur
Councillor Roscoe
Councillor Veidman

COMMITTEE OFFICER: Debbie Campbell
Democratic Services Manager
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The Cabinet is responsible for making what are known as Key Decisions, which will be notified on the Forward Plan. Items marked with an * on the agenda involve Key Decisions

A key decision, as defined in the Council's Constitution, is: -

- any Executive decision that is not in the Annual Revenue Budget and Capital Programme approved by the Council and which requires a gross budget expenditure, saving or virement of more than £100,000 or more than 2% of a Departmental budget, whichever is the greater
- any Executive decision where the outcome will have a significant impact on a significant number of people living or working in two or more Wards

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.

A G E N D A

Items marked with an * involve key decisions

	Item No.	Subject/Author(s)	Wards Affected	
	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** Minutes of the meeting held on 1 February 2023 to follow		
*	4	**Asset Management Strategy and Asset Disposal Policy 2024/25** Report of the Executive Director of Corporate Resources and Customer Services	All Wards	(Pages 5 - 36)
*	5	**Prudential Indicators 2024/25** Report of the Executive Director of Corporate Resources and Customer Services	All Wards	(Pages 37 - 52)

*	6	**Treasury Management Policy and Strategy 2024/25** Report of the Executive Director of Corporate Resources and Customer Services	All Wards	(Pages 53 - 90)
*	7	**Capital Strategy 2024/25** Report of the Executive Director of Corporate Resources and Customer Services	All Wards	(Pages 91 - 114)
*	8	**Robustness of the 2024/25 Budget Estimates and the Adequacy of Reserves – Local Government Act 2003 - Section 25** Report of the Executive Director of Corporate Resources and Customer Services	All Wards	(Pages 115 - 136)
*	9	**Revenue and Capital Budget Plan 2024/25 – 2026/27 and Council Tax 2024/25** Report of the Executive Director of Corporate Resources and Customer Services	All Wards	(Pages 137 - 186)

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Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	**Date of Meeting:**	6 February 2024 8 February 2024 29 February 2024
Subject:	Annual Review of Asset Management Strategy and Asset Disposal Policy		
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:	Yes	**Included in Forward Plan:**	Yes
Exempt / Confidential Report:	No		

Summary:

The Asset Management Strategy and Asset Disposal Policy set 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 and 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

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 and Asset Disposal Policy are key documents for Sefton Council which set 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.
Impact on Children and Young People: No
Climate Emergency Implications:

The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	No
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

Contribution to the Council's Core Purpose:

Protect the most vulnerable: The Asset Management Strategy and 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 and Asset Disposal Policy demonstrate 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 and Asset Disposal Policy recognise 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 and 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 and 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 and 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 and 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 and 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 (FD 7502/24) is the author of the report and the Chief Legal and Democratic Officer (LD 5602/24) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

Contact Officer: Dominic Ellis
Email: dominic.ellis@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 and Asset Disposal Policy approved and in place for the forthcoming financial year.

1.2 The Council has therefore developed an Asset Management Strategy and Asset Disposal Policy for guidance.

2. Content

2.1 The contents of the Asset Management Strategy and Asset Disposal Policy are defined; however it is recognised that each individual authorities final document will reflect its own individual 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 and Asset Disposal Policy were last presented as part of the budget reporting in 2023. Whilst the documents in this year's annual review remain largely unchanged with only minor changes, it is considered timely 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 - Page 4

- Values updated.

Asset Disposal Policy – Residential Ground Rents and Chief Rents Portfolio - Page 13

- Updated to state “in progress”.

Asset Management Strategy – reducing the level of backlog maintenance - Page 6

- Sentence added; Where financially possible, the Council will look to allocate resource to a PPM regime in order to arrest further decline and premature failure in our retained assets. The aim should be to achieve a 70/30 split (planned/reactive) as opposed to current approach which is largely reactive.

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

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Asset Management Strategy

Updated – 10/01/24

Next review due on 10/01/25

Sefton Council

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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 Councils 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:-

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 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.

Where financially possible, the Council will look to allocate resource to a PPM regime in order to arrest further decline and premature failure in our retained assets. The aim should be to achieve a 70/30 split (planned/reactive) as opposed to current approach which is largely reactive.

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 Councils 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.

Asset Disposal Policy

Updated – 12/01/24

Next review due on 12/01/25

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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.
- 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;

- £278.428m - Other Land and Buildings
- £14.965m – Surplus Assets
- £27.315m – 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 schem e, 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 me ans 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.

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
- 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 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 though 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 Councils 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.

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. The Council disposes of its' freehold reversionary interests and/or chief rents following receipt of a letter or e-mail from a residential occupier, however in addition, the Council is also taking a proactive approach by writing out to all occupiers on a rolling programme 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.

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Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	**Date of Meeting:**	6 February 2024 8 February 2024 29 February 2024
Subject:	Prudential Indicators 2024/25		
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:	Yes	**Included in Forward Plan:**	No
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 2024/25.

Cabinet is recommended to:

1) Recommend to Council that the Prudential Indicators (as detailed in the report) 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 2024/25.
Legal Implications: None.

Equality Implications: None.
Impact on Children and Young People: No
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 (FD 7513/24) is the author of the report. The Chief Legal and Democratic Officer (LD 5613/24) 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
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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 Council has adopted CIPFA's 2021 Prudential Code for Capital Finance in Local Authorities when setting the Prudential Indicators for 2024/25 to 2026/27.

1.3. 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).

1.4. The above indicators are presented in the following paragraphs and summarised at Appendix A.

1.5. A new International Accounting Standard (IFRS 16) on leases is due to be adopted by the Code of Practice on Local Authority Accounting with effect from 1 April 2024. The new standard is expected to bring most operating leases onto the Council's balance sheet (subject to exceptions for short dated and low value leases). This will have an impact on the Capital Financing Requirement (CFR) on 1 April 2024, however, as the values are to be measured at that date the impact is not currently known. The capital values used to prepare this report are based on the amounts reported under the current lease accounting standard (IAS 17) which does not require operating leases to be capitalised. The impact of IFRS 16 during 2024/25 will be assessed and Cabinet and Council will be informed of any material changes to the prudential indicators contained in this report.

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 2022/23 is shown below and the estimated current and future years capital programme are recommended for approval:

Capital Expenditure					
	2022/23 £m Actual	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
TOTAL	38.782	52.604	86.881	75.369	30.035

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 for 2024/25 but these have not yet been confirmed. The grant allocations will be added to the capital programme following approval by Cabinet and Council along with the Sustainable Transport Settlement which has been confirmed by the Liverpool City Region Combined Authority. 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 - £2.208m
- Devolved Formula Capital Grant - £0.339m
- City Region Sustainable Transport Settlement - £10.766m.

2.4. The increases in capital expenditure from 2023/24 to 2025/26 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 and Levelling Up Fund. 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. Council also approved a contribution of £19.7m towards the Marine Lake Events Centre project funded by prudential borrowing. 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 2026/27. Estimates of capital expenditure for the Town Deal projects have been included in the total estimates of capital expenditure shown above.

2.7. The Council has also been awarded £20m of Capital Levelling Up Funding from DLUHC to fund the initial Phases 1 A-C of the Bootle Strand Repurposing Programme. The Levelling Up Fund has been included in the total estimates of capital expenditure shown above. Additional funding is being sought from the Liverpool City Region Combined Authority for Phase 1D of £18m together with additional enabling capital of £7m. On confirmation on the funding, Council approvals will be required for the associated supplementary estimates and the estimates of capital expenditure will then be updated and reported as part of regular budget updates to Cabinet.

2.8. In August and December 2023, Cabinet approved an Outline Business Case for a new building in Crosby to provide library services and the provision of new health facilities in the form of accommodation for local GP services. The initial capital cost element for the new building is £13.8m and Cabinet approved the development of a Full Business Case. This business case would be subject to Cabinet and Council approval after which the estimates of capital expenditure will be updated and reported as part of regular budget updates to Cabinet.

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 2022/23 and estimates of the ratio for 2023/24 and future years are:

Financing Costs / Net Revenue Stream					
	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	6.0%	5.3%	5.3%	5.8%	6.0%

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.

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 indictor 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					
	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	1.2%	1.1%	1.0%	1.1%	0.9%

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 2022/23 and estimated year-end Capital Financing Requirements for current and future years are set out in the table below:

Capital Financing Requirement					
	31/03/23 £m Actual	31/03/24 £m Estimate	31/03/25 £m Estimate	31/03/26 £m Estimate	31/03/27 £m Estimate
CFR	231.309	230.525	234.240	243.548	238.647

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	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	142	170	185	185
Other Long-Term Liabilities	6	5	4	3
TOTAL	148	175	189	188

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 2024/25 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				
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	167	195	210	210
Other Long Term Liabilities	6	5	4	3
TOTAL	173	200	214	213

7. Prudential Indicator – Actual External Debt

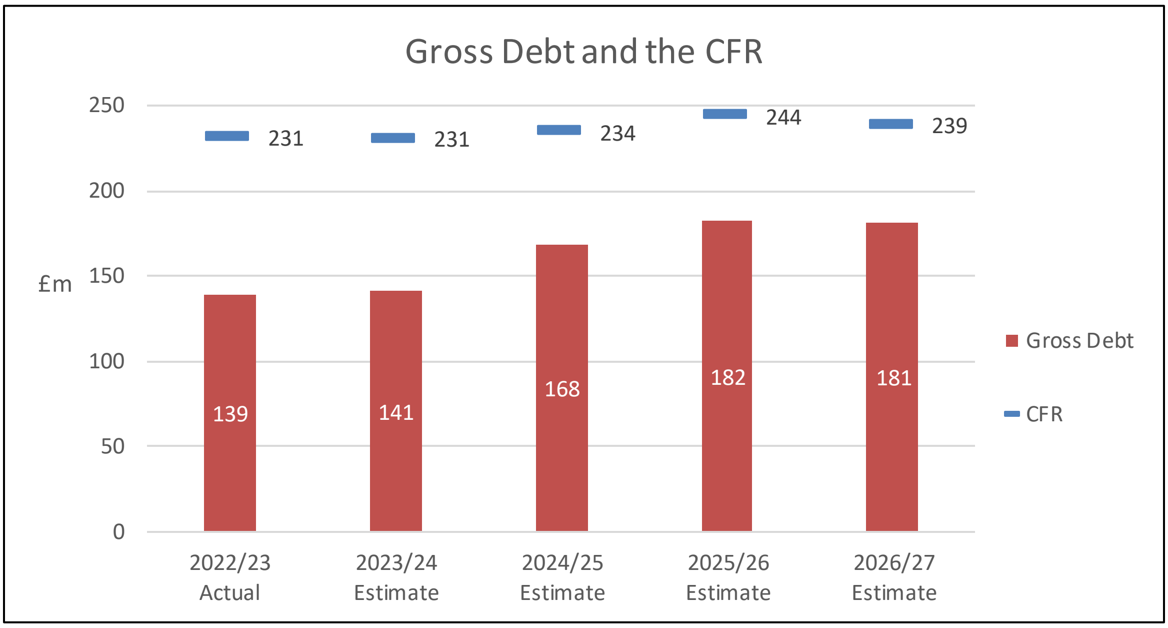
7.1. The Prudential Code requires that in setting indicators for 2024/25, the Council reports its actual levels of external debt as at 31st March 2023. The Council's actual external debt at 31st March 2023 was:

	31/03/2023 £m
Borrowing	133,694
Other Long Term Liabilities	5,497
TOTAL	139,192

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".



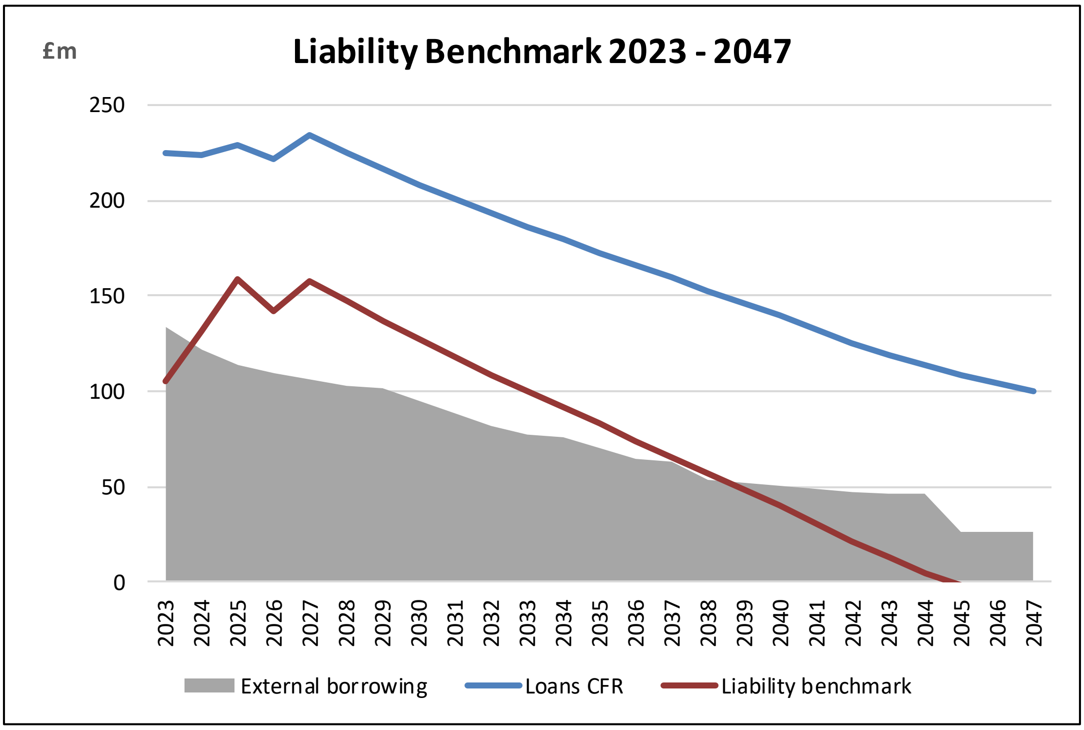
8.3. The Council pursues a strategy of internal borrowing where the cheapest borrowing will be internal borrowing, which involves reducing cash balances and foregoing interest earned at the current historically low rates. This position can be reversed at any time by taking out loans with the PWLB and is undertaken to allow the Council to maintain its liquidity. The estimates of gross debt for 2023/24 and 2024/25 include borrowing of £40m to partially reverse the internal borrowing position. The Council's borrowing strategy is fully outlined in the Treasury Management Strategy 2024/25 which can be found on the agenda for this meeting.

8.4. The increases shown in 2024/25 and 2025/26 represent the reversal of internal borrowing as mentioned above and approved borrowing as part of the Capital Programme including 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 2023 and future years. The following explanations are provided to assist with understanding the chart:

i. Grey shaded area – represents the Council's current fixed term loans for 2023 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 2039. 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.

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	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	30%	10%
10 years and within 15 years	50%	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 2025, no more than £10m due to mature after 31

March 2026 and £5m after 31 March 2027. 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					
	2023/24	2024/25	2025/26	2026/27	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.

Summary of Prudential Indicators **Appendix A**

Capital Expenditure					
	2022/23 £m Actual	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
TOTAL	38.782	52.604	86.881	75.369	30.035

Financing Costs / Net Revenue Stream					
	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	6.0%	5.3%	5.3%	5.8%	6.0%

Capital Financing Requirement					
	31/03/23 £m Actual	31/03/24 £m Estimate	31/03/25 £m Estimate	31/03/26 £m Estimate	31/03/27 £m Estimate
CFR	231.309	230.525	234.240	243.548	238.647

Net Income from Commercial and Service Investments to Net Revenue Stream					
	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	1.2%	1.1%	1.0%	1.1%	0.9%

Gross Debt and the Capital Financing Requirement					
	2022/23 £m Actual	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
CFR	231.309	230.525	234.240	243.548	238.647
Gross Debt	139.192	141.293	168.288	182.340	181.481
Under / (Over) Borrowing	92.118	89.232	65.952	61.207	57.166

Liability Benchmark	31.03.23 Actual £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m
Loans CFR *	224.8	223.5	228.7	221.9	234.4
Less: Balance sheet resources	-129.4	-102.4	-80.2	-89.6	-86.3
Net loans requirement	95.4	121.1	148.6	132.3	148.1
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	105.4	131.1	158.6	142.3	158.1

** CFR excluding other long-term debt liabilities*

Operational Boundary

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	142	170	185	185
Other Long-Term Liabilities	6	5	4	3
TOTAL	148	175	189	188

Authorised Limit

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	167	195	210	210
Other Long Term Liabilities	6	5	4	3
TOTAL	173	200	214	213

Debt Maturity

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

Long Term Treasury Management Investments					
	2023/24	2024/25	2025/26	2026/27	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 and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	**Date of Meeting:**	6 February 2024 8 February 2024 29 February 2024
Subject:	Treasury Management Policy and Strategy 2024/25		
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:	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 2024/25 be agreed;
2) Recommend to Council that the Treasury Management Strategy Document for 2024/25 be agreed;

3) Recommend to Council that the Minimum Revenue Provision Policy Statement 2024/25 be agreed.

Council is recommended to:

1) Approve the Treasury Management Policy Document for 2024/25;
2) Approve the Treasury Management Strategy Document for 2024/25;
3) Approve the Minimum Revenue Provision Policy Statement 2024/25.

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 2024/25.
Legal Implications: None.
Equality Implications: None.
Impact on Children and Young People: No
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 Council will during 2024/25, 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 (FD7512/24) is the author of the report.

The Chief Legal and Democratic Officer (LD5612/24) 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 Call-In period for this committee.

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

Appendices:

Appendix A – Treasury Management Policy 2024/25
Appendix B – Treasury Management Strategy 2024/25
Appendix C – Minimum Revenue Provision Policy Statement 2024/25

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. Sefton has fully adopted the revised reporting requirements.

1.4. A new International Accounting Standard (IFRS 16) on leases is due to be adopted by the Code of Practice on Local Authority Accounting with effect from 1 April 2024. The new standard is expected to bring most operating leases onto the Council's balance sheet (subject to exceptions for short dated and low value leases). This will have an impact on the Capital Financing Requirement (CFR) on 1 April 2024, however, as the values are to be measured at that date the impact is not currently known. The capital values used to prepare this report, the Council's Prudential Indicators report, and Capital Strategy for 2024/25 (also included on the agenda for this meeting) are therefore based on the amounts reported under the current lease accounting standard (IAS 17) which does not require operating leases to be capitalised. The impact of IFRS 16 during 2024/25 will be assessed and Cabinet and Council will be informed of any material changes to the prudential indicators.

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 2024/25; 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 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.

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 sought 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 Government subsequently published revised draft regulations and guidance for consultation in December 2023. This consultation is due to end on 16 February 2024 and the new regulations are expected to come into force from 1 April 2024. The policy document presented with this report has been revised to ensure that it is compliant with the anticipated changes introduced by the new regulations.

4.8. The proposed MRP Policy Statement is set out in **Appendix C.**

Agenda Item 6

Appendix A

Treasury Management Policy

2024/25

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 four officers carry out the day-to-day treasury management activities. Three 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 engaged Arlingclose Ltd. as its treasury consultants from 1st October 2020 to 30th September 2023, with a further option of a one-year extension. The option to extend has been exercised effective to 30th September 2024.

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.

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 2024/25 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.

Appendix B

Treasury Management Strategy

2024/25

Sefton Council

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 2024/25

2.1. The Strategy for 2024/25 covers:

a) Treasury Limits in force which will limit the borrowing activity of the Council (2.2);
b) Prudential Indicators 2024/25 to 2026/27 (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) Interest on School Balances (2.18);
o) Environment, Social and Governance Policy (2.14.149);
p) The Climate Emergency (2.20);
q) Member and Officer Training (2.21).

2.2. Treasury Limits for 2024/25

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

Affordable Borrowing Limit	Maximum	£200m

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 2024/25, the need to fund capital expenditure previously met from internal funding, and cash flow requirements.

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 prudential indicators listed below are considered relevant by CIPFA for setting an integrated Treasury Management Strategy. A full list of the Council's Prudential Indicators for 2023/24 can be found in the Prudential Indicators report also on the agenda for this meeting.

2.3.1. Liability Benchmark

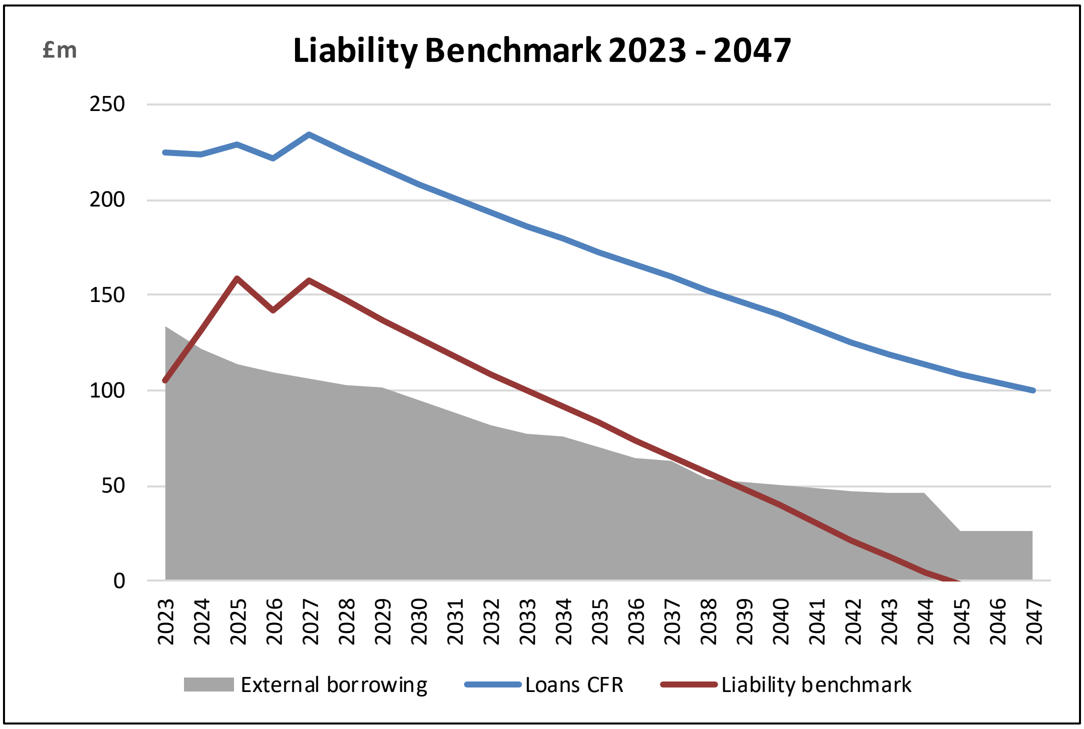
The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external 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	**31.03.23 Actual £m**	**31.03.24 Forecast £m**	**31.03.25 Forecast £m**	**31.03.26 Forecast £m**	**31.03.27 Forecast £m**
Loans CFR	224.8	223.5	228.7	221.9	234.4
Less: Balance sheet resources	-129.4	-102.4	-80.2	-89.6	-86.3
Net loans requirement	95.4	121.1	148.6	132.3	148.1
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	105.4	131.1	158.6	142.3	158.1

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.

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 2024/25	**Upper Limit %**	**Lower Limit %**
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	30%	10%
10 years and within 15 years	50%	10%
15 years and above	50%	30%

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 2025, no more than £10m due to mature after 31 March 2026 and £5m after 31 March 2027.

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				
	2024/25	2025/26	2026/27	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 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.

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	31/12/2023
Average Interest Rate	3.76%
Debt Outstanding – Fixed Rate	£m
PWLB	123.471
Other Long-Term Liabilities	5.246
Total Debt	**128.716**

2.8.2. Other long-term liabilities shown above represent transferred debt from the Merseyside Residuary Body (£0.622m) and finance lease liabilities (£4.623m).

2.8.3. The Council will raise its required finance from the sources listed below. Although there are a range of options available, HM Treasury's PWLB lending facility will be considered in the first instance as the main lender to local government. No borrowing arrangements will be entered into until advice is taken from the Council's treasury management advisors and following approval from the Executive Director of Corporate Resources and Customer Services (or in their absence the Deputy Section 151 Officer).

- HM Treasury's PWLB lending facility
- UK Infrastructure Bank Ltd.
- 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 2024/25 is as follows:

Borrowing Requirement	Estimate £m
New Borrowing	11.111
Replacement Borrowing	25.000
Total Borrowing	**36.111**

2.8.6. The new borrowing represents the unsupported borrowing as required by the Capital Programme in 2024/25 and borrowing undertaken to reverse the Councils internal borrowing position. 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 2023, plus other long-term liabilities, is £129m, as against an estimated CFR of £231m for 2023/24. This means that the Council is in a position to borrow a further £102m 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 2024/25. 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 2024/25, 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.

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 £200m. 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 2.19 below).

2.14.4. The Council's investment portfolio as at 31st December 2023 is set out below:

Investments Portfolio	**£m**
Money Market Funds	26.90
CCLA Property Fund	5.00
Total	**31.90**

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
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 although as of 2022 the UK Government is no longer a majority shareholder. 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	• Australia • Denmark • Germany • Luxembourg • Netherlands • Norway • Singapore • Sweden • Switzerland
AA+	• Austria • Canada • Finland • USA
AA-	• Belgium • France • Ireland • United Kingdom

2.14.10. The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

2.14.11. 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.

2.14.12. It is not proposed to make any investments in 2024/25 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.

2.14.13. 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.

2.14.14. 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 2023 is £6.743m and this will be fully repaid by December 2025. 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 2024/25 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 £1.4m has been provided. The debt facility will be fully repaid by the end of 2026/27.

2.15.4. The limits for Service Investments for 2024/25 will therefore be set as per the debt facilities described above:

Borrower	**Approved Limit £m**
Sandway Homes Ltd.	8.3
Sefton Hospitality Operations Ltd.	1.4

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 31/03/2023 £
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 184 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 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 m^2 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. Interest on Schools Balances

2.18.1. The Council holds, as part of its cash balances, amounts relating to school's reserves. The main element of this reserve is individual carry forward balances of school's unspent budgets, and it is the Council's responsibility to hold these balances and ensure they are ring-fenced for use against school activities.

2.18.2. Until such time as school's balances are spent by individual schools, the cash will form part of the Council's day-to-day investment activities as outlined in the strategy above. Interest will therefore be applied to school's balances to reflect any interest earned on the reserves at the average Bank of England base rate (calculated over the financial year) less 0.5%.

2.18.3. The Council also holds centrally retained Dedicated Schools Grant (DSG) balances in respect of Schools Central Support Services, Early Years and High Needs non-schools provision. A deficit balance was held in the High Needs block at 31st March 2023 of £18.7m. This deficit has been increasing year on year and has a significant impact on the Council's cashflow position. This has meant that interest earned on investments of cash balances has been less than it would have been without the deficit.

2.18.4. The Council intends to seek approval to make a charge to the DSG High Needs block in respect of the foregone income from the lower investment of cash balances. If approved, this will mirror the current arrangements for school delegated balances – interest will be applied to deficit balances at the average Bank of England base rate (calculated over the financial year) less 0.5% and reimbursed to the treasury management budget.

2.19. Environmental, Social and Governance (ESG) Policy

2.19.1. 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.

2.19.2. 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.

2.19.3. 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.

2.20. The Climate Emergency

2.20.1. 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.

2.20.2. In recent years, the Council has seen its level of reserves and balances 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.

2.20.3. 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.

2.21. Member and Officer training

2.21.1. 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.

2.21.2. 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 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.

Appendix B1

INTEREST RATE FORECAST

Arlingclose Interest Rate Forecast – December 2023

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	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-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	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-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	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-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	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix B2

Arlingclose Economic and Interest Rate Forecast (Commentary)

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

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 of 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.

Appendix C

Minimum Revenue Provision Policy Statement

2024/25

Sefton Council

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.

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 2024/25

4.1. The recommended MRP policy is summarised below:

Category	Basis of MRP Calculation
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

PFI and Leasing Arrangements	Basis of MRP Calculation
On balance sheet PFI contracts	MRP charge to be equal to the principal element of the annual rental
On balance sheet leasing arrangements	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 does not need to be made in certain circumstances. These loans may only be excluded from the MRP calculation where they meet the definition 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.

4.7. Use of Capital Receipts to Reduce the Capital Financing Requirement

Any proposal to use capital receipts to reduce the overall Capital Financing Requirement and therefore reduce future MRP charges will be presented for approval in line with the Council's scheme of delegation.

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.

Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	**Date of Meeting:**	6 February 2024 8 February 2024 29 February 2024
Subject:	Capital Strategy 2024/25		
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:	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):

<u>Overview & Scrutiny Committee is asked to:</u>

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.

<u>Cabinet is asked to:</u>

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.

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:

Protect the most vulnerable: The Capital Strategy will enable the Council to continue to seek to protect the most vulnerable within available resources.
Facilitate confident and resilient communities: 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.
Commission, broker and provide core services: 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.
Place – leadership and influencer: 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. 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 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.
Facilitate sustainable economic prosperity: The Capital Strategy 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 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.
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 7511/24) is the author of the report.

The Chief Legal and Democratic Officer (LD5611/24) 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 29th February 2023.

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

Appendices:

Appendix A – Capital Strategy 2024/25

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.

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 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.

Agenda Item 7

Appendix A

Capital Strategy

2024/25

Sefton Council

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.

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 ongoing impact of the prevailing economic conditions in the United Kingdom, namely high inflation, rising interest rates and a cost-of-living crisis, which together with increased demand for and cost of Council services means that authorities across the country are under extreme financial pressure.

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, as has been the case with major developments planned for Crosby, Bootle and Southport.

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.

2.7 A new International Accounting Standard (IFRS 16) on leases is due to be adopted by the Code of Practice on Local Authority Accounting with effect from 1 April 2024. The new standard is expected to bring most operating leases onto the Council's balance sheet (subject to exceptions for short dated and low value leases). This will have an impact on the Capital Financing Requirement (CFR) on 1 April 2024, however, as the values are to be measured at that date the impact is not currently known. The capital values used to prepare this report, the Council's Prudential Indicators report, and Treasury Management Policy and Strategy for 2024/25 (also included on the agenda for this meeting) are therefore based on the amounts reported under the current lease accounting standard (IAS 17) which does not require operating leases to be capitalised. The impact of IFRS 16 during 2024/25 will be assessed and Cabinet and Council will be informed of any material changes to the prudential indicators.

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:
- 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 2024/25, the Authority is planning capital expenditure of £86.881m:

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

Capital Expenditure					
	2022/23 £m Actual	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
TOTAL	38.782	52.604	86.881	75.369	30.035

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 2024/25 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. There may be further allocations which will be approved by Cabinet and Council.

- Disabled Facilities Grant - £4.823m
- Schools Condition Allocation - £2.208m
- Devolved Formula Capital Grant - £0.339m
- City Region Sustainable Transport Settlement - £10.766m.

4.5 The increase in capital expenditure during 2023/24 and 2024/25 shown in the table above represents 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 and the Strand Repurposing Programme.

4.6 The Town Deal projects (see Section 8 "Town Deal") were approved by the Department for Levelling Up, Housing and Communities (DLUHC). The allocation for Phases 1A-C of the Strand Repurposing Programme is funded by grant from DLUHC (see Section 9 "Bootle Strand Repurposing Programme") with further contributions anticipated from the Liverpool City Region Combined Authority.

4.7 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.

4.8 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.

4.9 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.

4.10 Capital expenditure is typically funded from:

- Government Grants
- Section 106
- External Contributions
- Prudential Borrowing
- Capital Receipts

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

Table 2: Capital financing in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Grants	28.891	40.084	62.147	54.497	23.067
Capital Receipts	1.517	3.149	6.802	2.500	2.387
Contributions	2.607	2.292	6.104	0.011	0.011
Borrowing	5.766	7.078	11.827	18.362	4.570
TOTAL	38.782	52.604	86.881	75.369	30.035

4.12 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

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Minimum revenue provision (MRP)	7.090	7.318	7.445	8.318	8.699
Capital receipts	-	-	-	-	-
TOTAL	7.090	7.318	7.445	8.318	8.699

4.13 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 £3.715m during 2024/25. 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

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
TOTAL CFR	231.309	230.525	234.240	243.548	238.647

Prudential Borrowing

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 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 are 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 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 subject to disposal.

5.4 When a capital asset is subject to disposal, 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 £4.749m 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. The Council has not and will not invest out of borough.

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 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 2023. 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 update estimates that a dividend of £0.301m would be paid to the Council in November 2025 upon completion of Phase 1 and that this is in addition to a capital receipt of £2.2m from the sale of 3 sites.

7.5 The Council also approved a loan between itself and the company and the current peak debt estimate for the company is £8.3m as reported to Cabinet in September 2023. The Business Plan update provided to Cabinet in December 2023 highlights the challenges linked to the wider economic environment. This 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 an initial lower debt facility of £0.5m has been provided. This was revised to £1.4m as reported to Cabinet in December 2023 due to changes in the external economic environment and the impact those changes have on the business plan for the company. This increased shareholder loan supports the business in its long-term sustainability given the external pressures whilst also supporting the growth of the business.

7.7 The total investment for service purposes as at 31 December 2023 is £5.818m which relates to loans to Sandway Homes £5.718m and Sefton Hospitality Operations Limited (SHOL) £0.1m. 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:

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

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Total net income from service and commercial investments (£m)	2.704	2.648	2.653	2.971	2.506
Proportion of net revenue stream	1.2%	1.1%	1.0%	1.1%	0.9%

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 2026/27.

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 Bootle Strand Repurposing Programme

9.1 The Council's objectives for the acquisition of The Strand in 2017 were for regeneration purposes, to ensure that it was supported to continue its role in the local community, as a key asset at the heart of Bootle critical to the town's physical, economic, and social regeneration. This remains the Council's priority in relation to the Strand.

9.2 In December 2023, Cabinet approved a robust business case which sets out the deliverability of Phase 1 of the Programme and provides accompanying financial forecasts for the coming years, via an updated 5-year Business Plan, accounting for the impacts of the economy and of the works on day-today operations as well as outlining the positive outcomes on the Business Plan and wider regeneration objectives of proceeding with the Programme.

9.3 The Council has been awarded £20m of Capital Levelling Up Funding from the DLUHC to fund the initial Phases 1A-C of the Programme. Additional funding is being sought from the Liverpool City Region Combined Authority for Phase 1D £18m together with additional enabling capital of £7m. On confirmation on the funding, Council approvals will be required for the associated supplementary estimates in line with the requirements of the Financial Procedure Rules.

10 Crosby New Library and Health Hub

10.1 In August and December 2023, Cabinet approved an Outline Business Case for a new building in Crosby to provide library services and the provision of new health facilities in the form of accommodation for local GP services.

10.2 The initial capital cost element for the new building is £13.8m and Cabinet approved the development of a Full Business Case (FBC). This business case would be subject to Cabinet and Council approval in line with the requirements of the Financial Procedure Rules.

11 Non-Financial Investment Strategy

11.1 The Council's non-treasury investments consist of an Investment Property portfolio of over 184 properties. They delivered a return for the Council after deducting for the cost of maintenance, net income of £2.531m in 2022/23, which contributes towards the provision of services.

11.2 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.

11.3 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 2023 was £27.315m. All investment properties are valued at greater than original purchase price and have hence produced an unrealised capital return.

11.4 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.

11.5 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.

12 Treasury Management, Debt and Borrowing

Treasury Management

12.1 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.

12.2 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.

12.3 Table 6 below provides an overview of the Council's Treasury Management investments:

Table 6: Treasury management investments in £millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Near-term investments	26.110	16.000	5.00	5.00	5.00
Longer-term investments	5.00	5.00	5.00	5.00	5.00
TOTAL	31.110	21.000	10.000	10.000	10.000

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

Debt and Borrowing

12.5 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.

12.6 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.

12.7 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.

12.8 Due to decisions taken in the past, the Authority has £128.716m borrowing at an average interest rate of 3.76% and £31.9m treasury investments at an average rate of 4.85% as at 31 December 2023.

12.9 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

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Debt (incl. PFI & leases)	139.192	141.293	168.288	182.340	181.481
Capital Financing Requirement	231.309	230.525	234.240	243.548	238.647

12.10 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.

12.11 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 £105m and is forecast to rise to £158m over the next three years.

Table 8: Borrowing and the Liability Benchmark in £ millions

	31.3.2023 actual	31.3.2024 forecast	31.3.2025 budget	31.3.2026 budget	31.3.2027 budget
Outstanding borrowing	133.7	121.8	113.8	109.5	106.2
Liability benchmark	105.4	131.1	158.6	142.3	158.1

12.12 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

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Authorised limit – borrowing	167	195	210	210
Authorised limit – PFI and leases	6	5	4	3
Authorised limit - total external debt	173	**200**	214	213
Operational boundary – borrowing	142	170	185	185
Operational boundary – PFI and leases	6	5	4	3
Operational boundary - total external debt	148	175	189	188

12.13 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.

12.14 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.

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 intent 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 £27.936m as at 31st March 2023).

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 2023 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £4.598m. The Council has budgeted to make these payments until there is no longer a liability.

Provisions

11.4 The Council's 2022/2023 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2023 is £6.239m. Sefton's share of the Provision as at 31 March 2023 is £6.177m.

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 2023 is £3.423m.

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, asbestos, 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.

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 environmental pollution, asbestos, 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 £1.379m 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

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget *	2026/27 budget
Financing costs (£m)	13.863	12.755	13.654	15.526	16.539
Proportion of net revenue stream	6.0%	5.3%	5.3%	5.8%	6.0%

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 the Vision 2030 / Core Purpose.

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 the Vision 2030 and the Core Purpose 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 open to all members and is delivered by external treasury consultants. A record is maintained of member attendance.

Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	**Date of Meeting:**	6 February 2024 8 February 2024 29 February 2024
Subject:	Robustness of the 2024/25 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:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	**Included in Forward Plan:**	Yes
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 2024/25.

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 2024/25 and thereby shape the Council's financial plan for future years.

(B) Capital Costs
As above

Implications of the Proposals:
The following implications of this proposal have been considered and where there are specific implications, these are set out below:

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 2024 and must consider the comments of the Chief Financial Officer before that decision is taken.

Equality Implications:

There are no equality implications.

Impact on Children and Young People: Yes

The report highlights the current financial position relating to services provided for Children and Young People.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

The allocations of capital funding outlined in the main budget report 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:
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.
Commission, broker and provide core services: See comment above.
Place – leadership and influencer: See comment above.
Drivers of change and reform: See comment above.
Facilitate sustainable economic prosperity: See comment above.
Greater income for social investment: See comment above.
Cleaner Greener: See comment above.

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 7520/24).

Chief Legal and Democratic Officer has been consulted and his comments are incorporated in the report (LD 5620/24).

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Council meeting.

Contact Officer:	Stephan Van Arendsen
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.

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 and the adequacy of proposed reserves.

2. ROBUSTNESS OF BUDGET ESTIMATES

Introduction and Current Context

2.1 The Budget for 2024/25 has been developed over the last nine months whilst the Local Government sector and Sefton Council continues to deal 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, which together with increased demand for and cost of council services means that authorities across the country are under extreme financial pressure. The Council was aware of each of these issues when it set a robust budget for 2023/24 and at that point in time the financial parameters it was working within were clearly reported and understood.

2.2 As at the end of December 2023, the Council is reporting a net overspend of £9.3m on its General Fund which is made up of the four areas: -

- Pressure from the local government pay award.
- Pressure on its Home to School Transport budget.
- Pressure in Adult Social Care; and
- Pressure in Children's Social Care.

These issues have been reported to Cabinet each month during 2023/24 and a remedial action plan is in place. The pressure from the local government pay award was unforeseen across the sector and will need funding on a permanent basis from 2024/25. The pressure in respect of Home to School Transport reflects the demand increase in Education Excellence arising from SEND.

Children's Social Care budget pressure in the current year is around £6.1m. This is substantially less than the previous financial year and reflects the stabilisation of the Service. The commissioner advised that a budget variance of approximately 5% could be expected within the budget this year and this latest estimate is over that estimate but close enough to reflect a clear direction of travel.

Having considered each of these issues it can be reported that the financial strategy for the Council is working with all remaining services forecast to be underspent in year or close to being balanced with the exception of the £162m gross Adult Social Care budget forecasting a potential overspend up to £2.5m or 1.5% of the gross budget.

With this in-year pressure there has been an additional call on Earmarked Reserves. The total call on these over the last two years, due predominantly to the unprecedented pressure in Childrens Services and from energy prices increases, has been over £25m. These balances need to be replenished from

2024/25 onwards and this budget provides detail of how that will start to take place.

2.3 Within the Local Government Finance Settlement for 2023/24 all councils were given a clear indication of the funding that will be available for 2024/25. This has aided financial planning over the last nine months. The Autumn Statement of November 2023 provided confirmation of these assumptions with the Local Government Finance Settlement providing the detail of the funding that will be available to the Council, with this reflected in the budget report.

2.4 It has been widely reported during the last year that local government is close to financial breaking point. There have been councils who have been forced to seek intervention due to financial difficulties arising from exposure from commercial investments or debt exposure, however in latter months, the focus has been on councils not in this space but who cannot provide core services due to increased cost and demand not being matched by a corresponding increase in resources. Councils have been using increased levels of reserves to not only set budgets but also meet in year financial pressure thus reducing resilience and compromising financial sustainability. These issues reflect a lack of resources within the sector as opposed to poor financial management, as reported by both the LGA and CIPFA.

In advance of the Autumn Statement the LGA submitted to government its informed assessment that substantial additional investment was required in the following areas in order to provide the required services to residents and also maintain financial sustainability in the sector: -

- Childrens Social Care.
- Adults Social Care.
- SEND.
- High Needs Deficit; and
- Homelessness.

For Sefton, it can identify with each of these pressures, and they are each a feature of the budget report that is on this agenda. The pressure from each of these areas is substantial and reflects either central government policy, legislation or lack of funding to meet demand, hence the LGA requesting additional support. This further re-enforces the need for the Council to replenish its reserves that have been used over the last two years in order to increase financial resilience and also provide protection against any financial shocks that may arise.

2.5 As stated, despite this national coverage of local government finance, the perilous position of councils and the engagement, insufficient funding has been forthcoming, and this is the financial environment and current context that the Council will work in over the next financial year.

Development of Core Council Budget

2.6 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 2023/24 that will continue in 2024/25.
- Additional required budget growth driven by demand and inflation 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.
- The deliverability of budget / savings proposals that are required in order that a balanced budget can be set; and
- The level of Earmarked Reserves and General Balances that the Council should hold.

2.7 To enable the development of a budget package for Member approval, two cycles of budget sessions have been held with all Executive / Assistant Directors. This has focussed on:

- Review of current in year budget position and future years' impact.
- Potential financial pressure for 2024/25 to 2026/27 from demand or cost increases; and
- Savings proposals to support budget development.

These sessions have proven to be valuable with each budget assumption for 2024/25 in the budget report being signed off via this process.

2.8 In respect of Children's Social Care, Members will recall that a five-year investment plan was developed to align with the services improvement plan. Throughout the year, the Director of Children's Services, Chief Executive, s151 Officer, Deputy s151 Officer and Head of Personnel have met monthly, and bi-monthly with the relevant Cabinet Members, to track progress on the budget, review assumptions, provide advice and support and take decisions that align with the improvement plan - the outcome from those sessions is reflected in this budget package and the proposed in-year budget has been signed off as deliverable by the relevant Executive Director. The key element within this is the staffing budget. The non- staffing budget has stabilised over the last 12 months, however the agreed strategy for the development of a skilled and stable workforce was to invest in international social workers, a social work academy and pro-active recruitment and retention with financial incentives. These have taken place, and a new structure is proposed to be in place 2024/2025 that is within budget and supported by a £1m permanent agency budget. This will see the transition from temporary and expensive agency staff to that skilled and stable workforce, (unless they are required to cover substantive posts) and will reflect the temporary budget available in 2023/24 coming to an end as well as external funding, e.g., from the Leeds programme, no longer being available. The delivery of this is critical to next year's budget.

2.9 In respect of Adult Social Care, this is a gross budget of £162m in 2023/24 and is increasingly complex- budget sessions were held as with every other service with an additional session being held in October 2023 to review in granular detail, in year pressure, delivery of savings, emerging pressure, work required to inform potential provider fee increases for 2024/25 and further additional demand- the outcome of those sessions is reflected in this budget package and the proposed in-year budget has been signed off as deliverable by the relevant Executive Director. Within this, the two key issues are in respect of demand and increase in provider fees. The detailed work undertaken by the Service is reflected in this budget and it is essential that the delivery of these assumptions takes place. There are savings that have been made on a temporary basis in the current year amounting to approximately £1.3m – these will need to be made on a permanent basis in 2024/25 in addition to the savings detailed in the main budget report. Additional demand from this year will also be met from the additional funding made available to the service next year as part of the local government finance settlement in December 2023. Work is currently underway to refine the estimate for demand or cost increases that will be experienced in 2024/25 – to meet the current estimate £2.25m of the additional social care grant that was announced in January 2024 will be allocated to meet this with the position being reviewed at the end of Q1. If additional pressure is identified above and beyond the additional resources that remain from the social care grant, corresponding savings will need to be made by the service and these will be provided to members for approval as appropriate.

2.10 A similar process has been undertaken in respect of Education Excellence and SEND- the demand pressure in this area has increased substantially each year and is reflected in financial pressure in respect of Home to School Transport, additional staff being required to process EHCP's and an increase in the High Needs Deficit. The budget assumptions in respect of this service have been the focus of stringent review and the proposed in-year budget has been signed off as deliverable by the relevant Assistant Director.

2.11 These three budgets reflect the greatest financial risk to the Council, not due to financial management arrangements but due to demand, volatility and potential cost increases. Every effort has been made to understand each of these for 2024/25 and if there are any variations these will need to be met with in-year remedial action plans in those services. In addition, it is essential that where decisions are within the control of officers, and have been reflected in the proposed budget, that they are adhered to, for example assumptions around staffing levels. As these budgets account for approximately 71% of the Council's budget on the Net Cost of Services, if there are budget variances there is no scope for other services to meet these, hence financial discipline, informed budget and business decisions and financial awareness will be critical in this next year as there are no surplus resources available.

2.12 The outcome from this work throughout 2023/24 and the comprehensive review and updating of all existing budgets and Medium-Term Financial Plan assumptions is reflected in the budget report. It can be seen from this that a balanced budget 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- as stated these have been signed off as being deliverable by Executive Leaders and the Strategic Leadership Board and the budget reflects that.

2.13 As part of the budget development it is considered that there is one main element that remains temporary in nature, and this is in respect of energy costs. Unlike the two previous years the Council has more price certainty as to what it will pay in 2024/25 but this remains higher than the budget allocation that was in place before the conflict in Ukraine. As such temporary funding of £2.7m has been made available. In event that prices do not come down to pre-2022 levels during the forthcoming year then permanent budget provision will need to be identified within the budget from 2025/26.

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 2024/25 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 Adult Social Care and Children's Social Care.

2.16 For 2024/25, the Council has received a one-year financial settlement, and a general election will be called during this financial year that will inevitably inform future budget allocations from 2025/26. That said it is essential that the Council returns to multi-year budgeting and a three-year budget package is proposed within this budget that will aid service delivery and financial stability, resilience planning and management.

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 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 and the demand and cost increases that the Council has faced over the last thirteen 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 2024/25, 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 are required to deliver savings. 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 remaining high 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, Executive Leadership Team and Cabinet. Overview and Scrutiny Committee also have a standing agenda item in respect of capital and revenue budget monitoring, with Cabinet and Council both receiving the annual Medium Term Financial Plan.

2.22 To support this approach, a continual training offer is available to all budget holders, schemes of financial delegation for each service are reviewed and where appropriate updated on a quarterly basis and a new budget monitoring forecasting system is now in place. The Council's Financial Procedure Rules were last updated and approved by Council in January 2024 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, take decisions in accordance with the budget plan 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 in Children's Services and Adult Social Care, 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. This has served the Council well. From 2023 a review of all areas of the Council has taken place and a new programme is proposed. This is shown within the main budget report with a focus on Business as Usual, the Growth programme and a number of change, service development or transformation projects. This programme will be the vehicle to deliver financial sustainability. The growth programme is now embedded in the Council and the following new projects have been identified: -

- Children's Social Care
- SEND
- Home to School Transport
- Operational In-House Services
- Adult Social Care: Transformation Programme / Extra Care / Supported Living
- Housing
- Corporate Landlord
- Localities

It can be seen that transformational activity is focussed on the largest Council budgets and those under demand and cost pressure. As a result, these reviews will support financial resilience and stability.

CIPFA Financial Resilience Index and the CIPFA Financial Management Code

2.27 The financial risks facing the Council in 2024/25 and beyond have been set out within this report and the wider Budget Report and as would be expected after the last decade, the prevailing economic conditions - namely high inflation, rising interest rates and a cost-of-living crisis - and the increased demand and cost of Council services, 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.

<u>CIPFA Financial Resilience Index</u>

2.29 CIPFA developed its Financial Resilience Index and 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 2022/23. Therefore, the comments below relate to the position as at the end of 2021/22 published at the beginning of 2023.

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 with 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. There has been significant additional investment in recent and future years in Children's Social Care across the sector, and currently Sefton is classed as medium risk in comparison to other local authorities with regard to budget flexibility. However, there are still significant challenges with Children's Social Care and the delivery of the improvement plan is critical to next year's budget as highlighted in paragraph 2.8. In addition, Adult Social Care is now classed as high risk compared to other local authorities which further limits 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 The Index shows that Sefton is at a higher risk of financial stress due to its level of reserves and balances at the end of 2021/22 being relatively low in comparison to other Metropolitan District Councils, however the direction of travel with the increase in General Balances is positive and these are set to be increased further as part of this budget package. Unallocated General Balances are classed as medium risk whereas Earmarked Reserves are classed as high risk (however, this may be distorted by COVID funding). Therefore, it is important that an appropriate level of reserves is maintained to mitigate against this risk and that this supports the proposed increase to the level of Council reserves as set out in the budget report.

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 July 2023 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 and Adult Social Care. 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 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 2024/25 and an indicative plan for future years.

2.42 The Council, as stated previously, has identified that its growth workstream is 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. The Council has been successful in gaining substantial central government funding via the town deal fund for Southport and levelling up programme for Bootle Town Centre/ Strand. This provides the basis for investment to promote regeneration and will require proactive financial management due to the current financial environment- this focus will need to be on cost control, risk management, consideration of supply chain and understanding sensitivity analysis linked to inflation, cost and income streams in addition to ensuring that third party contributions to the planned capital works are secured. Both programmes have exposure to each of these to varying degrees and it is essential that the management arrangements have the right skill sets in to manage this. In addition, the Council must ensure sufficient capacity exists and all financial estimates are prudent and considered with member reporting of any change undertaken in an expedient manner.

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 superseded as the Council's external auditor by Grant Thornton.

3. RESERVES STRATEGY 2024/25

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 financial events or shocks 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. As stated, if used in accordance with the governance arrangements set out, reserves should be repaid and replenished in full 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 is 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.
- The inherent risk around demand and cost increases.
- Specific risks relating to the delivery or changes in Council services.

3.4 In considering the level of General Balances that should be held the Council needs to give due consideration to both its Earmarked and General Fund Reserves- within Sefton when compared to other councils and at an absolute level it does not have a significant amount of Earmarked Reserves (total of £37.3m forecast for 31 March 2024, with £20.5m potentially available – note that this includes £9.0m for which there is a recommendation within the main budget report to transfer to General Balances). When compared to other councils Sefton has the fifth lowest level of reserves (General Balances and Earmarked Reserves as a proportion of net revenue expenditure) of all metropolitan districts at 31st March 2023. Therefore, there is more emphasis on ensuring the General Balances are at a level that supports financial sustainability and resilience. In determining the normal level of risk faced the Council will also need to take account 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 high inflation and the cost-of-living crisis, increased demand and cost pressure will prove challenging in 2024/25 with the potential for substantial cost increases for goods and services procured or commissioned by the Council. In addition, there is the probability of 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 2024/25 reflects the Local Government Finance Settlement finalised in late January 2024. In addition, the Council has been notified of other grant allocations for 2024/25. These funding levels are included in the Budget Plan. Funding levels beyond 2024/25 are currently unknown.

Local Considerations

3.7 **Planned changes in service delivery methods / contracts** – The Council 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 Adult and Children's Social Care and Education Excellence in 2024/25. In addition, the Council's new and emerging transformation programme will propose significant changes as to how some services are provided. Combined, these 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 substantial short-term 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. Investment has been included in the 2024/25 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 2023, these budgets will be re-aligned for 2024/25 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 2024/25 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 but as reported the Council holds a low level of Earmarked Reserves compared to most other councils thus placing more emphasis on General Balances. 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.

3.13 **Three-Year Medium-Term Financial Plan and 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 has set out its new transformation programme, with financial sustainability at its core. These will support the basis of the three-year budget plan that is presented in this meeting for decision.

3.14 As a result of these issues it is considered that for 2024/25 the Council should seek to increase its General Balances to £30m which is about 11% of the 2024/25 net budget requirement.

3.15 It is proposed that the level of General Balances be reviewed each year, but it is expected that due to the exponential risk in the sector and the low level of Earmarked Reserves that General Balances will need to increase by at least £2m per annum. As stated in this report, and the main budget report, in the event that any General Balances are used by the Council these must be replenished in the next financial year with detail of how this would take place being provided at the same time as the decision on usage is being made.

Earmarked Reserves

3.16 Unlike the General Fund Reserve, 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.

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

	April 2023	**Estimated 31 March 2024**
	£m	**£m**
Earmarked Reserves		
- Strategic Reserves	-16.370	-9.891
- Committed Reserves	-10.633	-10.633
- Uncommitted Reserves	0.000	0.000
- Restricted Reserves	-1.812	-1.999
- Temporary Reserves	-22.975	-14.785
Total Earmarked Reserves per Statement of Accounts	**-51.790**	**-37.308**

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 56 existing earmarked reserves (excluding unutilised grants and contributions), 30 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 £1.000m 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 £35.2m at the end of 2023/24 and is forecast to rise again in each year to the end of 2026 (the current end of the statutory override). Previously this deficit was held as a negative Earmarked Reserve. However, due to the Statutory Override it is now accounted for as an Unusable Reserve (DSG Adjustment Account). As this is a budget funded by the Dedicated Schools Grant (DSG), 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 respect of these budgets. Some councils, who have the largest deficits, are receiving direct central government intervention whilst some, including Sefton, have been part of the Department for Education led Delivering Better Value Programme - this work has now completed with the outcome being reported to Members. The outcome of that work is that by 2028, without mitigation, the Council is expected to have a High Needs deficit of £158m and with mitigation this is expected to be £131m. There is no indication, and it should not be assumed, that these deficits will be written off by central government based on information received although in its submission to government in advance of the Autumn Statement the LGA requested government to confirm that all deficits within the DSG will be written off. It is clear from the national position that the intervention programmes from the DfE have not worked and that the current system is unaffordable and requires legislative change and additional funding. In the absence of this, the position will worsen for all councils with a high number, including Sefton, not having the General Fund Resources to fund any balance that has built up over more than a decade since system reform in 2014. The Council continues to engage to identify a solution to this and provide regular comprehensive reports to both Cabinet and Council, but this issue is a key risk to the financial sustainability of the Council from 2026.

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 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 2023/24, and therefore the opening balance for 2024/25 is estimated to be in the region of **£11.0m**.

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 2023/24 is estimated to be **£32.4m**. 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 2024/25 on this.

3 Basis of Assurance

3.1 The key fundamental principles of the report's recommendations which the Executive Director – Corporate Resources and Customer Services has considered in giving this assurance are therefore: -

• That the budget strategy for 2024/25 is approved as set out in the report.

• That all Services manage their finances within the clearly defined cash-limits approved as part of this budget and also the savings that are required to be delivered. Whilst the budget risk is recognised, Assistant and Executive Directors must bring forward options to mitigate any cost overruns in accordance with Financial Procedure Rules in order that formal decisions can be made where necessary.

• That Council approves the updates to the Medium-Term Financial Strategy to 2026/27 and agrees to the proposals to manage a balanced budget in 2024/25; and

• That the revised Reserves Strategy is approved which will see the General Fund Reserves Minimum Balance start at £30m and then increase by at least a net £2m per annum over the Medium-Term Financial Plan period. As the level of funding increases consideration will be given to making further specific allocations to manage individual risks. The principle that will be in place in the Council is that any use of General Balances must be repaid in the following financial year. In addition, General Balances are not to be called upon for further purposes save in exceptional circumstances with the agreement of the Leader of the Council, Cabinet Member for Regulator, Compliance and Corporate Services, Chief Executive and the Executive Director – Corporate Resources and Customer Services (s151 officer) with any use to be approved in accordance with Financial Procedure Rules.

3.2 The reserves position will need to be kept under review to ensure that the Council maintains a robust budget and sound financial base.

3.3 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.

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Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) Cabinet Council	**Date of Meeting:**	6 February 2024 8 February 2024 29 February 2024
Subject:	Revenue and Capital Budget Plan 2024/25 – 2026/27 and Council Tax 2024/25		
Report of:	Chief Executive and Executive Director of Corporate Resources and Customer Services	**Wards Affected:**	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services 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 will provide Overview and Scrutiny, Cabinet and Council with:

- An assessment of the Council's current financial position and approach to the 2024/25 Budget Plan and preparation for the additional two-year budget period 2025/26 to 2026/27.
- An update on the Government's announcement of resources that are available to the Council for 2024/25.
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2024/25; and,
- The proposed Capital Programme for 2024/25 to 2026/27.

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:

1. Note the update of the Medium-Term Financial Plan for the period 2024/25 to 2026/27; 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 2024/25 – 2026/27 and the Council Tax for 2024/25.

Cabinet is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2024/25 to 2026/27.

2. Recommend to Council the Budget Plan for 2024/25, 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).

4. Recommend to Council the approval of a supplementary capital estimate for £7.387m for the Corporate Essential Maintenance Programme Phase 2 funded by capital receipts (Section 17).

5. Recommend to Council the approval of a supplementary capital estimate for £1.865m for Green Sefton Equipment and Machinery funded by prudential borrowing (Section 17).

Council is recommended to:

Budget 2024/25 and Medium-Term Financial Plan from 2025/26 to 2026/27

1. Note the update of the Medium-Term Financial Plan for the period 2024/25 to 2026/27.

2. Approve the Revenue Budget for 2024/25 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 release of the Environmental Warranty Earmarked Reserve and the transfer of the amount released to General Balances (Section 9).

4. 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.

5. 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.
6. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 12).
7. Approve the allocation of specific grants as detailed in the report (Section 13).
8. Subject to the recommendations above, approve the overall Council Tax resolution for 2024/25 including Police, Fire, Mayoral and Parish Precepts.

<u>Capital Programme 2024/25 to 2026/27</u>

9. Approve for inclusion within the Capital Programme the full list of projects in Appendix D.
10. Approve a supplementary capital estimate for £7.387m for the Corporate Essential Maintenance Programme Phase 2 funded by capital receipts (Section 17).
11. Approve a supplementary capital estimate for £1.865m for Green Sefton Equipment and Machinery funded by prudential borrowing (Section 17).

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 2024/25 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:
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 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:

There is a statutory requirement to set a robust budget for the forthcoming financial year on or before 10 March 2024. 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.

Impact on Children and Young People: Yes

The report highlights the current financial position relating to services provided for Children and Young People.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

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 7521/24) is the joint author of the report, and the Chief Legal and Democratic Officer (LD 5621/24) 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. 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 2024/25. 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.

Implementation Date for the Decision

Officers will be authorised to implement all decisions within this report immediately following Council on 29 February 2024.

Contact Officer:	Phil Porter and Stephan Van Arendsen
Email Address:	Phil.Porter@sefton.gov.uk Stephan.VanArendsen@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

A. Individual School Budgets 2024/25

B. Budget Saving Proposals

C. Draft Council Budget Summary 2024/25

D. Capital Programme 2024/25 – 2026/27

Background Papers:

Financial Management 2023/24 to 2026/27 – Medium Term Financial Plan 2024/25 to 2026/27– Report to Cabinet and Council – 7 and 14 September 2023

1. Introduction

1.1 This report provides Members with an update on the overall financial position of the Council. In doing so it refreshes the Medium-Term Financial Plan (2024/25 to 2026/27) previously approved by Members in September 2023, taking account of the Autumn Statement, the Local Government Finance Settlement and the latest information available to the Council.

1.2 2024/25 represents the final year of the three-year Government Spending Review period. A General Election will be called during this financial year and will without doubt impact on future financial planning, however the three-year budget plan presented for the Council updates the initial estimates for the overall period. In doing so the report presents the proposed budget for 2024/25.

1.3 In addition, Individual School Budgets and the Capital Programme require approval and details of this are within this report.

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. In December 2022 the Council was provided with its funding envelope for 2023/24 but was also provided with greater clarity than had been provided previously in respect of the funding that would be available to it for 2024/25-the final year of the spending review period.

2.2. That advice was welcomed at that point, especially as it came on the back of the mini budget in September 2022 and at a time when the cost-of-living crisis for residents was just starting to take hold, inflation was continuing to rise and pressure on key services was increasing. The additional funding made available was positive, however, this was not keeping pace with demand and cost increases across the sector. The estimates for 2024/25 were similar- there would be insufficient funding to cover existing services.

2.3. During the last 12 months the financial position within the local government sector has continued to deteriorate due to this. Previously, councils would be considered to be in financial trouble due to the failure of commercial activities or excessive debt being held, but more recently, the sector is reporting that councils without these issues will be facing bankruptcy and severe cuts to core services due to funding not keeping pace with demand and cost increases- the view of the sector is that this is due to funding not poor decision making or financial management.

2.4. This is the context within which all councils will be setting budgets for the period 2024/25 to 2026/27 at this time. In advance of the autumn statement the LGA provided its submission to central government on what funding and system changes were required to stabilise the sector and allow affordable and funded core services to be provided to residents. This submission with proposed recommendations focussed on the following areas: -

1. Childrens Social Care

2. Adults Social Care
3. SEND and High Needs Budgets
4. Housing and Homelessness

2.5. The submission advised that *'councils are facing funding gaps of £2.4 billion in 2023/24 and £1.6 billion in 2024/25. These gaps relate solely to the funding needed* ***to maintain services at their current levels****. The funding gap in 2023/24 is equivalent to councils stopping all spending on waste collection, library services and recreation and sports combined.'*

2.6. As reported continually to members each of these issues applies to Sefton and means that reductions in service levels are required.

2.7. Despite this submission and evidence base there was insufficient funding announced as part of the Local Government Finance Settlement above what had previously been announced.

3. Budget Development in Sefton and Key Risks

3.1. Members of Cabinet and Council received and approved the Council's Medium Term Financial Plan in September 2023. This provided estimates of the funding that would be made available to the Council over the period 2024/25 to 2026/27. As discussed in section 2 the financial environment that all councils are operating in is extremely challenging with key decisions on service delivery being required to ensure financial sustainability can be delivered.

3.2. Since 2010, one of the strengths of Sefton's financial management has been to understand that financial environment and then make the tough decisions that are required to support delivery of the 2030 vision, core purpose/corporate plan including council tax increases. In this environment that approach will need to continue.

3.3. The issues highlighted by the LGA in its autumn statement submission apply to Sefton and it can be seen in this budget package that investment and growth is focussed on those areas, meaning that there is no scope for investment either to support inflation increases or fund demand increases or growth in any other services in the Council- these services in addition to making savings are in effect also taking a further budget cut.

3.4. To support budget development this year, two rounds of budget challenge sessions have been held to inform the development of the budget package for members to consider. This has focussed on all areas of the Council's business, with additional focus and time outside of this process naturally being applied to Adult Social Care, Children's Services and Education Excellence based on size of those budgets, volatility and risk.

3.5. Within Adult Social Care this budget has historically been underspent but the challenges facing the service through demand, cost pressure and provider fees is increasing substantially meaning that this gross budget of over £160m (2023/24) is under considerable pressure and in the current year has required an increase in savings to be delivered and in year remedial actions. The budget for 2024/25 will increase by a further net £12m (excluding the impact of a pay award from April 2024) but this budget is now a key risk for the Council.

3.6. Within Education Excellence and SEND the challenges that have built up since 2013 continue to rise. The number of Education, Health and Care Plans (EHCPs) that the Council is now completing are at a higher level than at any time over the last decade and by August (5 months) of this current financial year the team had completed the same number of EHCPs as in the whole of the previous year. This manifests itself financially in three ways

- It requires additional staff to process these plans in the required timescale resulting in pressure on the general fund budget.
- It increases the pressure on the Home to School Transport budget again resulting in pressure on the general fund budget; and
- It means there is increased pressure on the Dedicated Schools Grant High Needs budget that increases the deficit.

3.7. Again, these issues are not unique to Sefton- government has introduced intervention programmes to try and alleviate this pressure but they haven't worked from a financial point of view and any change to the financial position would require legislative changes or substantial additional funding. In the absence of that, this side of a general election and in the last year of the Spending Review, councils will have to invest further in staff and home to school transport budgets and high needs deficits will increase- it is estimated that high needs deficits in England are now approximately £3.6bn at end of 2022/23. The current statutory override on the high needs block is due to end at the end of March 2026 and whilst the deficit is in the Dedicated Schools Grant and government have always advised that this is not a general fund issue, this situation cannot go on indefinitely from a financial, governance or external audit point of view. This issue needs resolution as the financial risk to all councils, including Sefton, from a financial sustainability point of view is substantial as councils do not have the general fund balances to support these deficits in 2026, that have built up over 13 years. The Council will continue to propose options for government to consider in this time, but legislative change and funding will both be required.

3.8. The key financial issue that the Council has faced over the last three years has been in respect of pressure within the Children's Social Care budget. Members will recall from last year's budget report that permanent investment of £17.5m was put into the budget and £3.3m of temporary funding was put into the budget to support the transition of the workforce from having a large reliance on agency staff to one that was populated with permanent Sefton staff as a result of investment in an academy, International Social Workers and positive recruitment and retention. This was aligned with the MTFP over a five-year period and agreed by the then Director of Children's Services and Members. During the past year the service has stabilised, and this is reflected in the finances. The non-staffing budget has much less pressure on it, predominantly due to less spend on accommodation and a shift to fostering but pressure remains, and the position remains volatile, of great risk and requiring positive intervention to take account of the aims of the Improvement Plan. The staffing budget has remained under pressure but a new structure will be in place during 2024/25 that will be within the current budget and there will be sufficient permanent staff to fill this- this is important as the investment strategy can be considered to have worked with 23 International Social Workers and 24 academy graduates now ready to be part of the workforce, meaning expensive agency and project teams will leave- that temporary funding that was in place in 2023/24 will not be available in 2024/25 nor will the Leeds Family Value funding, therefore the management of the staff budget and the decisions made need to reflect that.

Medium Term Budget Planning and Transformation Programme

3.9. Since 2016 the Council has had a Framework for Change transformation programme with financial sustainability at the centre of it. This has served the Council well. From 2023 a review of all areas of the Council has taken place and a new programme is proposed. This will focus on the Core Business, the Growth Programme and a number of Change Projects, including service development and transformation projects.

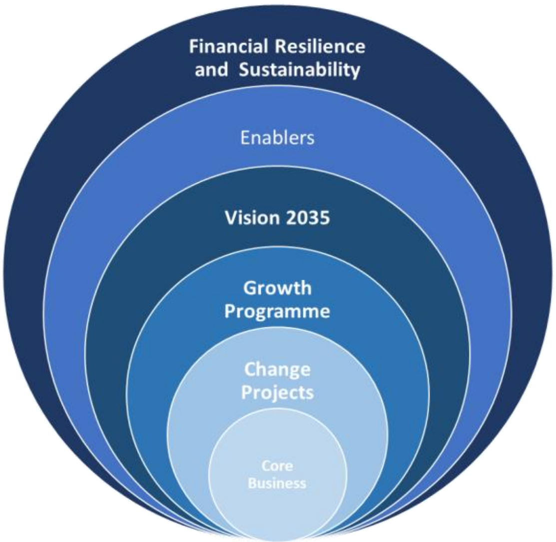
Growth Programme, including: -

- Southport Town Deal (including Marine Lake Events Centre)
- Bootle Strand and AAP (including Salt & Tar)
- Crosby Village
- SHOL
- Sandway Homes
- Transport Capital Programme (including School Streets)

Change Projects: -

- Children's Social Care
- Special Educational Needs and Disabilities
- Home to School Transport
- Operational In-House Services
- Adult Social Care: Transformation Programme / Extra Care / Supported Living
- Housing
- Corporate Landlord
- Localities

3.10. This Programme will be the vehicle to deliver financial sustainability. The diagram below presents how the various strands are brought together to ensure the Council ensures Financial Resilience and Sustainability.



4. Budget Plan 2024/25 – 2026/27

4.1 As discussed previously within the report, 2024/25 is the final year of the Government's Spending Review period. Council, on 14 September 2022, approved an updated Medium-Term Financial Plan (MTFP) for the period 2024/25 – 2026/27, 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 2024/25.
- Growth Items,
- Savings proposals to balance the 2024/25 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.

<u>Initial Key MTFP Updated Assumptions</u>

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 2024/25 to 2026/27 as well as a number of other budget changes. These reflect the information included in the updated MTFP reported to Council on 14 September 2023, some of which have been revised to reflect the latest information available. These are set out as follows:

<u>Pay Award Provisions</u>

4.5 The approved Base Budget included a provision for the 2023/24 pay award of £5.375m (or around 5%). This was line with most other local authorities who had budgeted for between 4% and 5%. The National Employers for local government services body made an offer to trade unions of a fixed increase of £1,925 from April 2023. This was agreed at the beginning of November 2023. For Sefton, this equates to an increase in the pay bill of about 6% or an additional **£2.400m** above the amount included in the 2023/24 budget. This is a national issue for local government however Government made it clear that no additional funding would be made available. This additional cost therefore needs to be budgeted for in 2024/25.

4.6 Given the current rates of inflation it is considered prudent to increase the pay award provisions for 2024/25, 2025/26 and 2026/27 compared to usual assumptions. Therefore, **£4.500m** has been included for each year, equating to an approximate increase in the region of 4%.

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 latest triennial valuation of the Fund took effect from April 2023 and resulted in a saving of £0.700m in 2023/24, 2024/25 and 2025/26. The implications of this saving are included within the "Impact of Budget Savings agreed March 2023" below.

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 **£0.250m** will be required in 2024/25, reducing to **£0.100m** in 2025/26 and further reducing to **£0.100m** in 2026/27.

In addition, the Council's ICT contracts have increased significantly in recently years, with many linked to increases in the CPI rate of inflation. Also, there has been a loss of income from School SLAs as a result of a change in the contractual arrangement enforced by the provider for which the Council has no control. These issues have been reported throughout 2023/24, with a budget pressure of £0.642m reported, but have been offset by underspends within the Corporate Resources service due to significant cost control across the whole service. As a significant corporate pressure, this cost has been built into the MTFP along with provision for future contract inflation. It is estimated that a total provision of **£0.800m** will be required in 2024/25, reducing to **£0.100m** in 2025/26 and further reducing to **£0.100m** in 2026/27.

Social Care – Provider Fee Increases

4.10 The Government has announced that the National Living Wage will increase significantly from April 2024, from £10.42 to £11.44 per hour. It is therefore considered prudent to include net provisions of **£7.500m** in 2024/25 for the potential impact of increased fees from providers, reducing to **£5.500m** in 2025/26 and 2026/27.

4.11 In addition, it is estimated that providers of Children's Social Care will also increase fees next year. It is therefore considered prudent to include provisions of **£2.000m** in 2024/25 for the potential impact of increased fees from providers, reducing to **£1.250m** in 2025/26 and 2026/27.

4.12 It is also proposed to make additional provision relating to inflation on the costs of providing Home to School Transport. Therefore, an additional **£0.500m** has been provided for in 2024/25, with further amounts of **£0.300m** provided for in 2025/26 and 2026/27 respectively.

Levy Increases

4.13 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 2024/25 and these will increase the amounts to be paid by **£1.100m** in 2024/25. Provisions of **£1.100m** have been included for the potential costs of increases in these levies in 2025/26 and 2026/27.

Corporate Council Buildings

4.14 The costs relating to Corporate Council Buildings have increased in recent years, mainly due to increases in Business Rates, reductions in income from external organisations, and more buildings having to be maintained corporately, e.g., closed schools. It is estimated that additional provision of **£0.400m** will be required in 2024/25 relating to these costs.

Other MTFP Changes 2024/25 – 2026/27

Council Tax Base

4.15 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 2024/25, approved in January 2024, will generate an additional **£1.475m** in the year. This includes £0.420m relating to charging an additional premium of properties that have been empty for between one and two years. It has been assumed that there will be further growth in the Tax Base in future years that would generate **£0.820m** in 2025/26 (this includes £0.320m relating to charging an additional premium on "second homes") and **£0.500m** in 2026/27.

Impact of Budget Decisions in Previous Years

Treasury Management Costs

4.16 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.

Impact of Budget Decisions in 2023/24

Public Health Grant

4.17 Members will recall that the 2023/24 Budget Report approved the use of additional Public Health Grant funding in 2023/24 and 2024/25 to support public health and wellbeing within leisure centre provision and Public Health activity would continue to operate within existing funding levels. The Council is yet to receive final confirmation of the Public Health Grant increase for 2024/25 however an indicative amount published alongside the 2023/24 allocation suggested it would increase by **£0.308m**.

Temporary freezing of specific vacant posts

4.18 Recruitment on specific vacant posts across a number of service areas were frozen until March 2024. Therefore, this temporary saving has been reversed in 2024/25, resulting in **£1.255m** being added back to the budget.

2023 Local Government Pension Scheme Valuation

4.19 The 2023 valuation of the Merseyside Pension Fund set contributions that the Council were required to pay for the 2023/24 to 2025/26 period. Following a comprehensive review of the pension contributions following the triennial valuation savings of **£0.700m** will be achieved in 2024/25 and 2025/26.

Reduction in Unfunded Pension Increases

4.20 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** in 2024/25 and 2025/26.

Treasury Management savings (temporary from interest rate increases)

4.21 In 2023/24 it was forecast that there would be a temporary increase in investment income resulting from interest rate increases of **£0.500m**. As per the Budget Plan approved last year, this saving has been reversed in 2024/25. It should be noted that an additional saving relating to Treasury Management has been presented as part of the budget proposals.

Initial MTFP Position 2024/25 to 2026/27

4.22 Based upon the revisions relating to MTFP assumptions it was initially estimated that the funding shortfall between 2024/25 and 2026/27 would be **£44.602m**, 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:

	2024/25	**2025/26**	**2026/27**
	£'m	**£'m**	**£'m**
Key MTFP updated assumptions:			
- Provision for Pay Inflation – 2023/24	2.400	0.000	0.000
- Provision for Pay Inflation	4.500	4.500	4.500
- Provision for Pension Increases	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.250	0.100	0.100
- Provision for ICT Contract Inflation / Loss of schools' income	0.800	0.100	0.100
- Assumed increase in Care Provider costs re. Adult Social Care	7.500	5.500	5.500
- Assumed increase in Care Provider costs re.	2.000	1.250	1.250

Children's Social Care			
- Assumed increase in provider costs re. Home to School Transport	0.500	0.300	0.300
- Levy increases	1.100	1.100	1.100
- Corporate Council Buildings	0.400	0.000	0.000
	20.050	**13.450**	**13.450**
Other MTFP Changes:			
- Council Tax Base	-1.475	-0.820	-0.500
	-1.475	**-0.820**	**-0.500**
Impact of Budget Decisions in Previous Years	**0.847**	**-0.600**	**0.200**
Initial MTFP Funding Gap – excluding Council Tax	**19.422**	**12.030**	**13.150**
Total Initial MTFP Funding Gap			**44.602**

5. Local Government Finance Settlement 2024/25

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 2024/25 was announced on 18 December 2023. 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 2024/25 that was announced on 5 December 2023; these are detailed from paragraph 5.4.

5.3 This Settlement is for 2024/25 only, the Policy Statement doesn't provide any additional information relating to funding for future years that would allow for some informed assumptions to be made relating to funding streams beyond 2024/25.

<u>Social Care Grant</u>

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, followed by a further £1,265m in 2023/24, which were 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 in 2023/24 was £27.206m.

5.5 The Provisional Settlement announced that an additional £692m of Social Care Grant would be paid to local authorities in 2024/25 using the same allocation methodology as for 2023/24. This additional funding has been provided from repurposed money from delaying adult social care charging reform. Sefton's allocation of the additional funding is **£4.858m**.

5.6 On 24th January 2024, following the consultation on the Provisional Settlement, the Government announced that a further £500m would be made available to councils with social care responsibilities through the Social Care Grant. At the time of writing this report the Final Settlement had yet to be announced so Sefton's allocation of this additional funding is unknown. If distributed using the Adult Social Care Relative Needs Formula, then it is estimated that Sefton's allocation may be an additional **£3.161m**.

5.7 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 2024/25. This will raise a further £600m nationally as part of the £1,900m funding announced as being available for social care in 2024/25. This is discussed further in section 10.

Adult Social Care Market Sustainability and Improvement Funding

5.8 The 2023/24 Settlement announced an additional £400m in 2023/24, with 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 in 2023/24 also included £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 distributed this funding using the existing ASC Relative Needs Formula. Sefton's additional allocation in 2024/25 is **£1.798m**. In addition, during 2023/24 the Government provided a further funding of £365m nationally (£2.319m for Sefton). For 2024/25 a proportion of this has been added to the overall funding made available (£205m nationally). Sefton's allocation of this increased funding is **£1.303m**. It is assumed that the Market Sustainability and Improvement Funding will be ringfenced to within the Adult Social Care Budget. There will be reporting requirements placed on this funding regarding performance and use of funding to support improvement against the objectives.

Adult Social Care Discharge Fund

5.9 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 are included within the Better Care Fund, with half of these amounts being distributed to local authorities. Sefton's additional allocation in 2024/25 is **£1.470m.** This funding will be ringfenced to within the Adult Social Care Budget.

Services Grant

5.10 The 2022/23 Settlement provided details of a new Services Grant, worth £822m nationally, which was paid in 2022/23 to local authorities and was distributed based on the 2013/14 share of the Settlement Funding Assessment. The 2023/24 Settlement announced that the overall funding would reduce to £464m, in part due to the cancellation of National Insurance Contribution increases that the grant was partly intended to fund. Other amounts were repurposed to fund increases in the Revenue Support Grant and funding for the Supporting Families Programme.

5.11 The 2024/25 Settlement announced that the overall funding would reduce further to £77m. Again, the grant was repurposed to fund increases in the Revenue Support Grant as well as the costs of providing a funding guarantee to ensure all local authorities see an increase in Spending Power of at least 3%. Sefton will see a reduction in funding of **£2.213m**.

Public Health Grant

5.12 The Council has yet to receive final details of the Public Health Grant for 2024/25 but indicative amounts suggest an increase of £0.308m. As mentioned in paragraph 4.16, the 2023/24 Budget Report approved the use of any additional Public Health Grant funding to support public health and wellbeing within leisure centre provision.

New Homes Bonus

5.13 The Government will continue to make payments of New Homes Bonus in 2024/25. As expected, the main grant allocations for 2023/24 will not continue. However, Sefton achieved the Government's threshold for main payments for 2024/25 and will receive £0.143m. This is a reduction of **£0.239m** on the amount received in 2023/24.

5.14 It is currently assumed that an equivalent amount of New Homes Bonus will be received in 2025/26 and 2026/27. 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 small business rates multiplier in 2024/25. Local authorities will be fully compensated for this decision through additional Section 31 Grant. In addition, the government announced that the Revenue Support Grant and Baseline Funding Level will increase in line with inflation which will result in a total increase in the Council's funding of **£7.626m** in 2024/25. It is currently assumed that Sefton will receive an additional **£3.000m** in 2025/26 and **£2.000m** 2026/27 for these measures, although this will be dependent on rates of inflation and Government policy.

Business Rates Retention:

5.16 Sefton's retained rates income is forecast to be above its funding baseline for 2024/25, 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. The Settlement announced that 100% Business Rates Retention areas would continue into 2024/25.

5.17 A summary of the estimated grant changes is shown below:

	2024/25	2025/26	2026/27
	£'m	£'m	£'m
Government Funding:			
- Social Care Grant	-4.858	0.000	0.000
- Social Care Grant – Estimated Additional Allocation	-3.161	0.000	0.000
- Adult Social Care Market Sustainability and Improvement Funding	-3.101	0.000	0.000
- Adult Social Care Discharge Fund	-1.470	0.000	0.000
- Services Grant	2.213	0.000	0.000
- New Homes Bonus	0.239	0.000	0.000
- Settlement Funding Assessment / Business Rates Baseline	-7.642	-3.000	-2.000
	-17.780	**-3.000**	**-2.000**

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:

<u>Children's Social Care</u>

6.2 Within the Council's budget report of March 2023, 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 As mentioned in paragraph 3.8, 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 about £40m in 2018/19 to £82m in 2023/24 (including £3.3m temporary budget support).

6.4 It has been reported throughout 2023/24 that certain areas of accommodation and support packages are forecast to overspend, partly due to additional packages in the late part of 2022/23 and early part of 2023/24. However, improvements in practice have resulted in more children being placed in more appropriate settings at a lower cost. This has continued throughout the year. Therefore, it is estimated that the future years' impact will be in the region of **£1.000m** so provision has been made for this cost in 2024/25. Additional provision of **£2.000m** in each of 2025/26 and 2026/27 has currently been assumed, although the need for this level of provision will continue to be assessed if more children continue to be placed in more appropriate settings at a lower cost.

In addition, additional legal support for the service was approved in 2023/24, the full year effect of which is an additional **£0.150m** in 2024/25. Each of these items reflects the alignment of the MTFP with the Service's Improvement Plan, that was signed off by the then Director of Childrens Services and communicated to the

DFE commissioner. All assumptions have been reviewed as part of this budget process.

Adult Social Care - Market Sustainability and Improvement Funding

6.5 As mentioned in paragraph 5.7, the Council is due to receive **£3.101m** in 2024/25 to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Adult Social Care Discharge Fund

6.6 As mentioned in paragraph 5.8, the Council is due to receive **£1.470m** in 2024/25 to improve discharge arrangements from hospitals. The amounts will be included within the Better Care Fund. It is assumed this funding will be ringfenced to within the Adult Social Care Budget.

Adult Social Care – Additional Investment

6.7 As described earlier, the Adult Social Care budget for 2023/24 included a total saving requirement of £5.7m (£2.2m as part of the approved budget and £3.2m to meet the estimated additional costs of provider fee increases in excess of the agreed budget provision). Whilst these savings have been achieved in 2023/24, they have been met in part from one-off rather than permanent savings. It is estimated that £1.3m of permanent savings need to be achieved in 2024/25 to replace the one-off savings achieved in 2023/24. These will be in addition to the additional budget savings proposed for 2024/25 (Paragraph 8.1 - £2.390m).

6.8 In addition, the Adult Social Care budget has experienced additional pressure in 2023/24 as a result of increased demand, increased costs, etc. The December 2023 monitoring report forecasts an overspend position of £2.5m. However, this is after the implementation of some one-off mitigating measures. Therefore, significant additional cost pressures will continue into 2024/25, alongside further demand and cost pressures. Paragraphs 6.5 and 6.6 highlight increases in the Adult Social Care budget of £4.571m (in addition to the provision for inflationary provider fee increases of £7.500m)- it is forecast that this will meet demand pressure from 23/24. It is proposed to provide additional investment of **£2.250m** into the service in light of the issues described and this will meet pressure arising in 2024/25. This is the current budget planning assumption and will be further considered during the Council's first quarter budget review of 2024/25 with any further pressure either arising from 2023/24 or in 2024/25 requiring additional savings to be made.

Home to School Transport

6.9 As in previous years, there has been significant pressure on the Home to School Transport budget during 2023/24. As mentioned in paragraph 3.6., 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 **£1.200m** to the 2024/25 Base Budget to mitigate the full year impact of these pressures.

6.10 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 providing transport. Therefore, an additional **£0.400m** has been provided for in 2024/25 and each of the following two years.

Demand Led Services – Additional Investment

6.11 As has been outlined previously, there are significant pressures on the three main demand led services of Adult Social Care, Children's Social Care and Home to School Transport. It is proposed to set aside a provision of **£0.900m** to help mitigate any further pressure in excess of the provisions proposed above for these services. These pressures will be considered during the Council's first quarter budget review of 2024/25 with the provision being allocated if necessary. This sum is the remaining balance from the additional social care grant announced in January 2024, for which the use is prescribed. This cannot be used for any other purpose, and it is likely that it will be required to support one of these three key areas next year therefore is not available for re-allocation at this point.

Southport Pier Decking Project

6.12 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 **£0.150m** per year, starting in 2024/25, for which there is currently no budget.

Marine Lake Event Centre / Crosby Village Centre

6.13 The Business Case for the Marine Lake Event Centre was approved by Cabinet in July 2022. The indicative net costs of the scheme, including borrowing costs, are currently estimated to be **£0.700m** from 2026/27. The Outline Business Case for a new library in Crosby Village Centre was approved by Cabinet in December 2023. The indicative net costs of the scheme, including borrowing costs, are currently estimated to be **£0.410m** from 2026/27. Note that these estimates will continue to be the subject of review as the schemes progress.

7. Summary MTFP Position 2024/25 to 2026/27 including Growth

7.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2024/24 and 2026/27 will be **£38.353m**, 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:

	2024/25	2025/26	2026/27
	£'m	£'m	£'m
Revised MTFP Funding Gap – excluding Council Tax	**19.422**	**12.030**	**13.150**
Local Government Finance Settlement	**-17.780**	**-3.000**	**-2.000**
Proposed Growth Items:			

- Children's Social Care – additional accommodation and support provision	1.000	2.000	2.000
- Children's Social Care – additional Legal Support	0.150	0.000	0.000
- Adult Social Care - Market Sustainability and Improvement Funding	3.101	0.000	0.000
- Adult Social Care Discharge Fund	1.470	0.000	0.000
- Adult Social Care – Additional Investment	2.250	0.000	0.000
- Home to School Transport – Permanent Pressures from 2023/24	1.200	0.000	0.000
- Home to School Transport –increase in numbers	0.400	0.400	0.400
- Demand Led Services – Additional Investment	0.900	0.000	0.000
- Southport Pier Decking Project	0.150	0.000	0.000
- Marine Lake Event Centre	0.000	0.000	0.700
- Crosby Village Centre	0.000	0.000	0.410
	10.621	**2.400**	**3.510**
Revised MTFP Funding Gap excluding Council Tax and budget savings	**12.263**	**11.430**	**14.660**
Total MTFP Funding Gap			**38.353**

8. Budget Proposals

8.1 The following budget savings are proposed to reduce the budget gaps in 2024/25, 2025/26 and 2026/27. Further detail on the proposals is given in Appendix B.

	2024/25	**2025/26**	**2026/27**
	£'m	**£'m**	**£'m**
Revised MTFP Funding Gap – excluding Council Tax and budget savings	**12.263**	**11.430**	**14.660**
Proposed Budget Savings:			
- Adult Social Care – further permanent Demand Management savings	-2.390	-2.140	-1.980
- Corporate Resources- Treasury Management -increased Income	-0.486	0.000	0.000
- Corporate Resources- Increased Debt collection	0.000	0.000	-0.200
- Corporate Resources- Corporate Resources and Customer Services-service redesign	0.000	0.000	-0.305
- Communities - Leisure Centres- Increased charges in line with inflation to maintain budget position	-0.460	-0.200	-0.200
- Communities - Increased charges Atkinson in line with inflation to maintain budget position	-0.050	-0.025	-0.025
- Communities - Leisure Centres- Increased	-0.075	0.000	0.000

charges for swimming lessons to ensure full cost recovery			
- Communities - Formby Pool- review of the annual subsidy contribution in new contract	0.000	0.000	-0.237
- Communities - Crosby PFI- reduced cost following end of contract	0.000	0.000	-0.263
- Operational In-House Services (OIHS) – Reduce Management budget	-0.055	0.000	0.000
- OIHS - Waste Management	-0.046	0.000	0.000
- OIHS – Sefton Arc	-0.107	-0.100	0.000
- OIHS - Green Sefton	-0.101	0.000	0.000
- OIHS – Alley Cleaning	0.000	0.000	-1.168
- OIHS – Clinical Waste	-0.020	0.000	0.000
- OIHS - Waste Management Traded Services	-0.120	0.000	0.000
- Highways and Public Protection – Cease Southport Park and Ride	-0.200	0.000	0.000
- Highways and Public Protection – Change Charging Regime for temporary Lighting column advertising (new developments)	-0.015	0.000	0.000
- Highways and Public Protection – Delete Vacant Post	-0.060	0.000	0.000
- Highways and Public Protection – Signal Switch Offs for Highways Works	-0.025	0.000	0.000
- Highways and Public Protection – Fund Transport Projects Manager post from the Capital Programme	-0.055	0.000	0.000
	-4.265	**-2.465**	**-4.378**
Revised MTFP Funding Gap	**7.998**	**8.965**	**10.282**
Total MTFP Funding Gap			**27.245**

8.2 It should be noted that budget gaps would remain in 2025/26 and 2026/27 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 2024/25.

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 was reported in the 2023/24 Budget Report, 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 2024/25 by around **£2.700m**. 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. Therefore, the Council will continue 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. It is currently forecast that this could result in a loss of income of up to **£0.500m** during 2024/25. It is currently assumed that these reductions will be temporary and will return to previous levels in 2025/26. This assumption will continue to be reviewed and any permanent reduction in income will need to be built into future budgets.

Pay Reserve

9.5 Paragraph 4.6 outlines the current assumptions relating to the pay award provision for 2024/25. However, given the uncertainty around inflation it is considered prudent to create an Earmarked Reserve of **£1.000m** to be utilised if the 2024/25 pay award costs more than the current provision (funded from the surplus identified in para 9.9). If that's the case, then the ongoing additional cost will need to be built into the 2025/26 budget.

Net Council Tax / Business Rates Surplus

9.6 Budget monitoring reports during 2023/24 have highlighted that a net Council Tax / Business Rates surplus will be realised in the year which will be declared for 2024/25. This is due to a number of factors including additional surpluses from 2022/23, increased housing and business rateable value growth and reduced exemptions and discounts, particularly relating to the Council Tax Reduction Scheme.

9.7 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.

9.8 The net impact of the above issues is that a net Council Tax / Business Rates surplus of £11.300m will be declared for 2024/25.

9.9 Given the uncertainty around future appeals against Business Rates following the latest revaluation, and based on experience from previous revaluations, it is considered prudent to reserve £6.000m of this surplus to offset the impact. This will continue to be reviewed as appeals are received. Therefore, a net **£5.300m** would be available, with £4.000m available to support an increase in General Balances.

Increase in General Fund Balances

9.10 The 2023/24 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 position of 6.5% was proposed and considered prudent. This equated to about £16.9m. A range of £1.0m is advised around this figure so General Fund balances between £15.9m and £17.9m would be considered prudent.

9.11 At the end of 2023/24, the Council's General Balances were forecast to be £16.414m including the budgeted increase of £4.423m (although this included £1.023m allocated to fund one-off costs in 2024/25). Therefore, the General Balances available as at the end of 2023/24 are budgeted to total £15.391m. In addition, the latest monitoring position as at end of December used to inform this budget is reporting a potential deficit of £1.0m, although the Council is expecting to identify mitigating measures that would mean no General Balances will need to be used.

9.12 The 2024/25 Robustness Report highlights that there is a higher level of risk due to the current financial pressure within local government nationally that is driven through Children's Services, Adult Social Care, Home to School Transport and national inflation and further by the position re the High Needs. It also outlines that the Council's General Balances position is currently lower than most similar local authorities. Therefore, a revised position of £30m (or about 11% of the net Budget Requirement) is proposed and considered prudent. It is therefore proposed to increase General Balances by **£15.000m** to move the Council to a more prudent position. This increase would be funded by:

- £4.000m of the net Council Tax / Business Rates surplus declared for 2024/25 (as explained in paragraph 9.9).
- The repurposing of the Environmental Warranty Earmarked Reserve of £9.000m to General Balances. Should any call be made on the Environmental Warranties previously provided by the Council, the funding of these will be considered at that time. Council is asked to approve the release of this Earmarked Reserve so it can be transferred to General Balances.
- The Capitalisation of £2.000m of expenditure on transformational activities within Childrens Services, e.g., the Social Worker Academy, being funded from core budgets. This will be funded from Capital Receipts so as not to incur additional Debt Management costs in future years through Prudential Borrowing.

9.13 This would therefore increase balances to £30.391m during 2024/25. 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. It is important to note that whilst such an increase has been made in General Balances that puts the Council in a similar position to other councils, this Council does not have substantial legacy earmarked reserves available, therefore remains a higher risk when compared to other councils. The level of General Balances is considered appropriate for 2024/25 with any decision on use being initially made by the Leader of the Council in conjunction with Cabinet Member for Regulatory, Compliance and Corporate Services, the Chief Executive and s151 Officer- any use of General Balances must be replenished in the following year.

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 **(£1.300m)** 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:

	2024/25
	£'m
Proposed Temporary Budget Growth:	
- Energy Costs	2.700
- Sales, Fees and Charges Income	0.500
- Pay Reserve	1.000
- General Balances	6.000
	10.200
- Net Council Tax / Business Rates Surplus	-5.300
- Excess Council Tax / Business Rates Surplus carried forward from 2023/24 within General Balances to offset temporary pressures in 2024/25	-1.600
- Emergency Funding	-1.300
- Capitalisation of transformation expenditure	-2.000
	-10.200
Surplus One-off Funding	**0.000**

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 2024/25. A 2.99% increase for Sefton (to ensure the Council wouldn't breach the principle) would generate **£4.792m** in 2024/25. It is assumed that a 3% Core Referendum Principle to also apply in future years– it is estimated this would generate an additional **£5.056m** in 2025/26 and **£5.323m** in 2026/27.

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 **£3.206m** in 2024/25. It is assumed that a 2% Adult Social Care Precept Principle to also apply in future years– it is estimated this would generate an additional **£3.382m** in 2025/26 and **£3.561m** in 2026/27.

10.3 Decisions on the Core Referendum Principle and the Adult Social Care Precept for 2025/26 and 2026/27 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 2023/24 Band C Council Tax is £1,647.91. 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 2024/25 – 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 2024/25 and their impact on Sefton's budget compared to 2023/24 is shown in the table below: -

Levying Body	2023/24	2024/25	Change
	£	£	£
Liverpool City Region (LCR) Combined Authority - Transport Levy	20,102,000	TBC	TBC
Waste Disposal Authority	15,849,243	TBC	TBC
Environment Agency	168,147	TBC	TBC
Inshore Fisheries & Conservation Authority	73,646	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	36,287,536	**TBC**	**TBC**

The approved 2024/25 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

11.2 The proposed total increase in the Sefton Council Tax for 2024/25 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) 2024/25

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 free entitlement; new Under 2s 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, (corrected in October 2023), the Government announced the indicative DSG funding for 2024/25 to support Schools and High Needs. The schools funding has seen an increase of 1.9% per pupil funding. Included in the funding is the integration of the Mainstream Schools Additional Grant (MSAG) awarded to Schools in Autumn 2022.

12.3 High Needs funding increases have been capped at 5% in 2024/25 compared against the 2023/24 baseline allocations. The funding is inclusive of the separate grant given to High Needs in 2023/24 to help meet inflationary pressures.

12.4 Additional to the formula funding allocations, the Government announced some additional grant funding from September 2023 towards the Teachers Pay award to cover 3% of a 6.5% pay rise. This will be integrated into the School and High Needs formula funding from 2025/26.

12.5 The 2024/25 Dedicated Schools Grant settlement was announced on 19 December 2023. The 2024/25 National DSG allocation for Sefton of **£288.376m** is set out in the table below. This includes school Business Rates and pupil growth funding and additional funding for Early Years for the expansion of childcare to include under 2's. This figure excludes the separate Teachers Pay Grant awarded from September 2023.

2024/25 DSG Funding Allocations for Sefton are as follows:

<table>
<tr><th>DSG Funding Blocks</th><th>DSG Funding 2024/25 (£m)</th><th>Increase (£m)</th></tr>
<tr><td>Schools Block (SB)</td><td>208.583</td><td rowspan="2">12.120</td></tr>
<tr><td>Schools related Pupil Growth funding allocation</td><td>1.401</td></tr>
<tr><td>Early Years Block (EY)</td><td>30.195</td><td>11.737</td></tr>
<tr><td>High Needs Block (HN)</td><td>46.696</td><td>2.329</td></tr>
<tr><td>Central Schools Services Block (CSSB)</td><td>1.501</td><td>0.038</td></tr>
<tr><td>Total allocated DSG funding 2024/25 (Per DfE Dec 2023)</td><td>288.376</td><td>26.224</td></tr>
</table>

Schools Block

12.6 Sefton Schools Block excluding Pupil Growth (£1.401m) will see a net increase in funding of **£12.069m** compared to 2023/24 (+6.14%). This figure includes the 2023/24 Mainstream Schools Additional Grant (£6.8m) rolled into the 2024/25 funding baseline. It also includes a 1.9% per pupil increase in funding and reflects changes to the school population based on the October 2023 census (Primary net decrease of **-34.0** pupils; Secondary net increase of **+249.0** pupils – Net increase **+215.0** pupils).

12.7 The above funding increases (which reflect the integration of the MSAG funding) will ensure that the minimum funding levels per pupil in 2024/25 will increase to **£4,610** per Primary pupil (£4,405 in 2023/24) and **£5,995** per Secondary pupil (£5,715 in 2023/24).

12.8 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 2024/25 formula funding guidance now includes a +/-5% (+/-10% in 2023/24) tolerance that local authorities must abide by when setting their formulae factor values. 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 +/-5% tolerance levels.

12.9 The Minimum Funding Guarantee (MFG) has been set at +0.5% in 2024/25 (+0.5% in 2023/24), which means that every school will see a minimum 0.5% increase per pupil.

Early Years Block

13.1 Early Years funding announced in December 2023, provides Sefton with **£30.195m** in 2024/25, an increase in funding of **+£11.737m** on 2023/24. This increase is reflective of changes to childcare nationally, which will see a planned widening of childcare, initially from April 2024, to extend 2-year-old 15 hours entitlement for low-income families to working families; and with an extension to include children from age 9 months old up to 2 years old at 15 hours childcare support from September 2024. Both these areas will then be expanded further by September 2025, to offer an additional 15 hours of free entitlement to childcare, by which time, the full age set from 9 months old to 4-year-old childcare will then be offered up to 30 hours of free childcare support, with the hope of encouraging more parents to take up employment.

13.2 In a year of expansion and estimates of the new numbers of take up, the Early Years funding to Sefton will be adjusted further during the year, via a series of termly headcounts.

13.3 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 2024.

13.4 The Maintained Nursery Schools continue to receive a protection subsidy, which in 2024/25 will see an increase to the hourly rate of £0.59p per hour to £6.19 per hour following a national uplift to the subsidy. This is inclusive of the Teachers Pay grant awarded in 2023/24.

High Needs Block

14.1 Below, is the analysis of Sefton's High Needs funding for 2024/25 compared against 2023/24, which includes the additional funding awarded to Schools in the Autumn 2022 statement now rolled into the 2024/25 Baseline figures. 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 **£46.696m** in 2024/25.

High Needs funding	2023/24 £m	2024/25 £m	Change in funding £m	% increase
High Needs Funding Floor incl. supplementary grant paid in 23/24	£41.609m	£43.653m	+£2.044m	
Basic Entitlement	£3.467m	£3.752m	+£0.285m	
Element for Teachers Employers Pay and Pensions (2019/20 – 2020/21) @£660 p pupil in Special Schools & a fixed sum for AP/Hospital schools	£0.726m	£0.773m	+£0.047m	
Funding to Sefton's High Needs Baseline funding	**£45.802m**	**£48.178m**	**£2.376m**	**+5.19%**
Total High Needs Block Funding before ESFA deductions/Top-Slicing	**£45.802m**	**£48.178m**	**£2.376m**	**+5.19%**
Less ESFA Deductions				
Net adjustment re the Import/Export of pupils between LA areas @ £6k p pupil	£-0.354m	£-0.354m	-£0.000m	
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	£-1.081m	£-1.128m	£-0.047m	
Total Net High Needs Funding for Sefton's direct provision without any Schools Block transfer of funding.	**£44.367m**	**£46.696m**	**£2.329m**	**+5.25%**

14.2 Under the normal funding allocation announced in July, Sefton's High Needs funding has increased by +5.25% being very close to the national average cap increase at 5% but this includes the extra funding announced in the November 2022 Autumn statement.

14.3 The Local Authority asked all mainstream schools / the Schools' Forum to agree to a 0.5% top-slice contribution of the schools' block funding to be held centrally and earmarked to offset some of the high SEND cost pressures faced in several mainstream school settings with high numbers of pupils on roll with Education Health and Care Plans. The funding, now agreed, will be used to meet the first £6,000 of any additional SEN support for each pupil with an EHCP over a 3% threshold in each school's pupil population in a bid to prevent the potential breakdown of mainstream SEN placements and the transfer of SEND children into more expensive specialist placements.

14.4 Sefton's High Needs budget continues to face severe cost pressures and is forecast to overspend by nearly **£17m** in 2023/24 increasing the accumulated deficit balance on High Needs to over **£35m** by the end of 2023/24.

14.5 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 annual uplifts to the High Needs Budget have not increased in line with the significant increases in SEND demand each year.

14.6 The increase to the High Needs funding allocation for 2024/25 is well below the current 2023/24 level of High Needs expenditure. The full-year impact of the current 2023/24 in-year placements plus increases in new demand for EHCPs in 2024/45 will make the overspending situation even more acute in 2024/25.

14.7 Some of the initiatives to help reduce costs and generate future cost efficiencies have started to be rolled out during 2023/24, including growing the number of in-house places in special schools and resourced units to meet future demand and hourly rates of SEN Inclusion support have been uplifted to current pay levels to support keeping children with EHCPs in mainstream settings.

14.8 Much more work is required in 2024/25 and over the coming years including investment in the expansion special school places and SEN Resource Unit places attached to mainstream schools. This will require significant Capital funding 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.

14.9 The Delivering Better Value (DBV) Programme commenced in January 2023 and has brought representatives appointed by the DfE together with key officers of the Authority, to share and analyse the Council's 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. Plans have been set out and these will be monitored as to progress. This programme does carry with it some funding nationally (£55m), £1m of which has now been made available to Sefton to help develop in-house changes, which is underway. The DBV programme is not 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 spending on an ongoing quarterly basis.

14.10 The increasing deficit, outlined in paragraph 14.4, has had a significant impact on the Council's cash flow position. This has meant that interest earned on investments of cash balances has been less than it would have been without the deficit. To date this has impacted on the Council's overall General Fund position. It is estimated that the loss of income for 2023/24 relating to the High Needs deficit is in the region of £1.200m.

14.11 Officers are reviewing whether the Council can charge the Dedicated Schools Grant High Needs block with the foregone income from the lower investment of cash balances. This would mirror the current arrangements for school delegated balances – schools receive interest each year on any credit balances (calculated at the Bank of England Base Rate less 0.5%) to reflect the fact that the Council is earning interest by investing cash balances relating to schools.

Central School Services Block

14.12 The Central School Services Block (CSSB) has funding of **£1.501m** in 2024/25 (an increase of £0.038m on 2023/24) 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).

14.13 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 2024/25

13.1 The Government have announced grant notifications for 2024/25 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.

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 2023/24 allocation was £0.582m, which has increased to £0.613m in 2024/25. It is proposed that the 2024/25 allocation will continue to be allocated to appropriate Homelessness budgets.

Supporting Families Programme

13.3 The total funding for Supporting Families in 2024/25 will be in the region of £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.

13.4 Indicative funding for individual local authorities has yet to be announced. It is proposed that the 2024/25 allocation will continue to be allocated to the appropriate budgets as in previous years.

14. Summary of Budget Proposals for 2024/25

14.1 As a result of the information contained within this report the bridging of the 2024/25 funding gap is shown as follows:

	2024/25
	£'m
Revised MTFP Funding Gap	**19.087**
Local Government Finance Settlement	**-14.295**
Potential Growth to the Budget	**7.471**
Proposed Budget Savings	**-4.265**
Revised MTFP Funding Gap – excluding Council Tax	**7.998**
Council Tax – Core increase (TBC%)	**TBC**
Adult Social Care Precept (TBC%)	**TBC**

A summary of the budget for 2024/25 is shown at Appendix C (note that for illustrative purposes this assumes a Council Tax increase of 4.99% in 2024/25).

15. Precepts

a. Police & Crime Commissioner and Fire & Rescue Authority Precepts

The Police and Crime Commissioner is expected to set a budget / precept for 2024/25 on 19 February 2024. The Fire and Rescue Authority is due to set its budget / precept for 2024/25 on 29 February 2024.

	Precept			**Band C**		
	2023/24	**2024/25**	**Change**	**2023/24**	**2024/25**	**Change**
	£	£	£	£	£	%
Police	21,584,660	TBC	TBC	223.97	TBC	TBC
Fire	7,590,652	TBC	TBC	78.76	TBC	TBC

The approved 2024/25 figures will be reported at Budget Council.

b. Liverpool City Region Mayoral Precept

To be able to deliver the Mayor's key priorities in 2024/25 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 26 January 2024.

	Precept			Band C		
	2023/24	**2024/25**	**Change**	**2023/24**	**2024/25**	**Change**
	£	£	£	£	£	%
Mayoral	1,627,608	TBC	TBC	16.89	TBC	TBC

The approved 2024/25 figures will be reported at Budget Council.

c. Parishes

The Parish precepts variations that have been set are shown below:

	Precept			Band C		
	2023/24	**2024/25**	**Change**	**2023/24**	**2024/25**	**Change**
	£	£	£	£	£	%
Aintree Village	169,890	TBC	TBC	73.42	TBC	TBC
Formby	107,381	TBC	TBC	10.43	TBC	TBC
Hightown	25,000	TBC	TBC	25.62	TBC	TBC
Ince Blundell	2,800	TBC	TBC	14.38	TBC	TBC
Little Altcar	5,091	TBC	TBC	10.43	TBC	TBC
Lydiate	210,270	TBC	TBC	88.61	TBC	TBC
Maghull	840,254	TBC	TBC	108.59	TBC	TBC
Melling	39,655	TBC	TBC	32.11	TBC	TBC
Sefton	15,000	TBC	TBC	41.07	TBC	TBC
Thornton	9,000	TBC	TBC	10.27	TBC	TBC
	1,424,341	**TBC**				

The approved 2024/25 figures will be reported at Budget Council.

16. Recommended Council Tax for 2024/25

16.1 Council is recommended to approve the Budget for 2024/25, as set out in the main report.

16.2 The recommended overall Band C Council Tax to be raised for 2024/25 (excluding Parish Precepts) is as follows: -

	2023/24	**2024/25**	**Increase**
	£	**£**	**%**
Sefton	1,647.91	TBC	TBC
Police & Crime Commissioner	223.97	TBC	TBC
Fire & Rescue Authority	78.76	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	1,967.53	**TBC**	**TBC**

The recommended Council Tax for 2024/25 will be reported to Budget Council

17. Capital Programme 2024/25 to 2026/27

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.

17.2 Council is also recommended to approve two specific Supplementary Capital Estimates outlined below:

Corporate Essential Maintenance Programme – Phase Two

17.3 In January 2020 a report providing an update on the Council's Capital Investment Programme was presented to Cabinet and Council. At this time Council, following a recommendation from Cabinet, approved a range of capital schemes, including the introduction of an Essential Maintenance Programme (£2.834m), funded through capital receipts. The report also highlighted as part of the first phase of an improvement and investment programme that a five-year maintenance strategy be approved.

17.4 In order to progress and finalise the current programme and bring forward the next phase of priorities, additional resources are required for Phase 2 of the Corporate Essential Maintenance Programme for years 2024/25, 2025/26 and 2026/27. The additional funding will be used to address a range of priority works across the corporate property portfolio and the allocation of resources will also take into consideration the requirements of the Councils Asset Management and Disposal Strategy. Budget allocations may also be phased between financial years as projects are fully developed and cashflows are agreed with contractors. These budget changes will be agreed in line with the Council's Financial Procedure Rules and reported to Cabinet on a regular basis through the budget monitoring process.

17.5 Council is therefore recommended to approve a supplementary capital estimate of £7,387,372 for the Corporate Essential Maintenance Programme Phase 2 funded by capital receipts as per the schedule set out in the table below:

Scheme	Budget Allocation
Corporate Buildings	£4,225,576
Other Civic Buildings	£986,026

Adult Social Care	£198,464
Car Parks	£151,371
Leisure, Health & Wellbeing	£646,916
Green Sefton	£156,416
Localities	£159,780
Economic Growth	£392,823
Project Support Costs	£470,000
Total	**£7,387,372**

Green Sefton Machinery and Equipment

17.6 The Green Sefton service operates a multitude of different fleet vehicles, specialist machinery and equipment to deliver land management and maintenance work across land-based amenities and facilities within the borough. The majority of fleet vehicles and machinery being operated across the service are coming to an end of their serviceable lifespan and are likely to attract increased maintenance costs in order to ensure the minimum operational support.

17.7 Approval was therefore given by Cabinet in July 2023 for officers to complete a procurement exercise for the provision of machinery and equipment, required for the ongoing delivery of Green Sefton's land management and maintenance services. This procurement exercise has now been completed and a suitable supplier has been engaged for the supply and delivery of new equipment.

17.8 A total capital requirement of £1,865,085 has been identified for the initial cycle of new and replacement equipment to be funded from prudential borrowing. Borrowing will be undertaken in line with the Council's approved Treasury Management Strategy and the cost of repayment can be fully met from within the existing service budget. Council is therefore recommended to approve a supplementary capital estimate to be included in the 2024/25 capital programme.

List of Appendices

A. Individual School Budgets 2024/25

B. Budget Saving Proposals

C. Draft Council Budget Summary 2024/25

D. Capital Programme 2024/25 – 2026/27

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SCHOOLS FORMULA FUNDING ALLOCATIONS 2024/2025	
Post De-delegation and Education functions budget for Maintained Schools and after deduction of 24-25 NFF NNDR allocation	
FIGURES EXCLUDE ANY SUPPLEMENTARY GRANT ARISING FROM THE AUTUMN STATEMENT WHICH WILL BE ANNOUNCED IN THE SPRING ON AN INDIVIDUAL SCHOOL BASIS AND PAID AS A SEPARATE GRANT TO SCHOOLS IN 2024/25	**BUDGET 2024/25 £**
TOTAL FORMULA FUNDING LEVELS - SCHOOLS 2024/25	**206,362,347**
PRIMARY PHASE - MAINTAINED SCHOOLS	
Linacre Primary School	869,382
Netherton Moss Primary School	1,163,872
The Grange Primary School	1,525,061
Birkdale Primary School	1,915,322
Farnborough Road Junior School	2,157,814
Farnborough Road Infant School	1,541,142
Linaker Primary School	2,024,102
Norwood Primary School	2,867,530
Marshside Primary School	972,881
Aintree Davenhill Primary School	1,902,229
Hudson Primary School	1,205,463
Waterloo Primary School	1,992,594
Forefield Junior School	1,646,221
Forefield Community Infant and Nursery School	1,226,597
Lander Road Primary School	1,193,154
Hatton Hill Primary School	1,743,315
Northway Primary School	1,422,670
Woodlands Primary School	1,431,245
Summerhill Primary School	981,035
Freshfield Primary School	1,061,415
Green Park Primary School	975,679
Redgate Community Primary School	1,189,577
Kings Meadow Primary School and Early Years Education Centre	997,040
Larkfield Primary School	1,334,467
Melling Primary School	1,018,248
Valewood Primary School	981,275
Lydiate Primary School	1,013,606
Christ Church Church of England Controlled Primary School	2,089,795
St John's Church of England Primary School	907,284
St Luke's Church of England Primary School	1,664,755
St Philip's Church of England Controlled Primary School	1,059,738
St Oswald's Church of England Primary School	1,087,993
St Philip's Church of England Primary School	1,012,531
Ainsdale St John's Church of England Primary School	996,423
St Monica's Catholic Primary School	2,094,447
St Robert Bellarmine Catholic Primary School	1,003,390
Holy Family Catholic Primary School	1,002,237
Our Lady of Lourdes Catholic Primary School	1,959,796
St Patrick's Catholic Primary School	1,540,597
St John's Church of England Primary School	1,000,561
St Luke's Halsall Church of England Primary School	1,014,047
St Nicholas Church of England Primary School	961,336
St George's Catholic Primary School	985,110
Great Crosby Catholic Primary School	3,381,382
St Mary's Catholic Primary School	542,038
St Edmund's and St Thomas' Catholic Primary School	1,390,149

Appendix A

Our Lady Star of the Sea Catholic Primary School	1,202,491
Our Lady of Compassion Catholic Primary School	979,544
English Martyrs' Catholic Primary School	1,947,402
St Elizabeth's Catholic Primary School	2,200,082
St William of York Catholic Primary School	1,078,282
Our Lady Queen of Peace Catholic Primary School	895,262
St Gregory's Catholic Primary School	973,314
Ursuline Catholic Primary School	1,897,678
St Jerome's Catholic Primary School	915,752
Holy Rosary Catholic Primary School	1,920,578
St John Bosco Catholic Primary School	962,085
Bishop David Sheppard Church of England Primary School	918,067
Springwell Park Community Primary School	2,212,644
Thomas Gray Primary School	1,345,956
Trinity St Peter's CofE Primary School	977,730
St Benedict's Catholic Primary School	1,062,986
Our Lady of Walsingham Primary School	990,764
All Saints Catholic Primary School	1,989,998
Rimrose Hope CofE Primary School	1,633,365
	90,150,525
SECONDARY PHASE - MAINTAINED SCHOOLS	
Maricourt Catholic High School	6,601,540
Holy Family Catholic High School	5,389,452
Christ The King Catholic High School and Sixth Form Centre	4,753,018
	16,744,010
PRIMARY ACADEMY SCHOOLS	
Shoreside Primary School	850,591
Holy Spirit Catholic Academy	992,522
Churchtown Primary School	2,973,450
Kew Woods Primary School	1,948,091
Litherland Moss Primary School	1,153,013
Bedford Primary School	2,286,399
St Andrews Church of England Primary School, Maghull	1,028,397
Holy Trinity Church of England Primary School, Southport	1,137,785
St Thomas Church of England Primary School, Lydiate	960,982
	13,331,229
SECONDARY ACADEMY/FREE SCHOOLS	
King's Leadership Academy Hawthornes	5,042,711
St Michael's Church of England High School	4,289,698
Hillside High School	5,460,901
Litherland High School	5,256,059
Stanley High School	5,426,601
Sacred Heart Catholic Academy	5,043,641
The Salesian Academy of St John Bosco	3,941,073
Deyes High School	6,966,857
Formby High School	5,289,718
Chesterfield High School	9,032,896
Range High School	5,410,730
Birkdale High School	5,926,489
Greenbank High School	6,410,246
Meols Cop High School	5,935,615

Maghull High School	6,703,349
	86,136,584

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Appendix B

Budget Proposals 2024/25 – 2026/27

Service Area	Proposal	Description	Proposed Net Budget Reduction 2024/25	Proposed Net Budget Reduction 2025/26	Proposed Net Budget Reduction 2026/27
			£'m	£'m	£'m
Adult Social Care	Further Demand Management savings	Additional saving above the £1m already included within the MTFP – see table below	-2.390	-2.140	-1.980
Corporate Resources	Treasury Management - increased Income	Take advantage of higher interest rates with investment of cash balances in money markets and financial products	-0.486	0.000	0.000
Corporate Resources	Increased Debt collection	Employ additional solicitor to pursue Council Tax, NNDR debt and increase base position of Council	0.000	0.000	-0.200
Corporate Resources	Service Redesign	Start redesign of service in 2024/25 to reflect business need-saving comes from natural turnover. This will be developed in the context of needing to increase corporate capacity	0.000	0.000	-0.305
Communities	Leisure Centres - Increased charges to maintain budget position as a result of previous years and current inflation increases	Costs increased for 23/24 and service propose that further inflation linked increases can be made without impact on demand or needing to reduce service provision to meet the increase in cost. Income now at pre COVID levels	-0.460	-0.200	-0.200
Communities	Increased charges at the Atkinson in line with inflation to maintain budget position as a result of previous years and current inflation increases	Inflation linked increases can be made without impact on demand	-0.050	-0.025	-0.025

Communities	Leisure Centres - Increased charges for swimming lessons	Prices are lower than other councils due to not being raised for some time and don't cover full cost. It is also proposed to introduce a concession price of 25%.	-0.075	0.000	0.000
Communities	Formby Pool - review of the annual subsidy contribution in new contract	Current contract ceases in 27/28 and annual subsidy of £0.237m will be reviewed as site is profitable with separate provision being made. Option being undertaken to determine if new contract can be brought forward, or phasing of saving would be required to achieve in 2026/27	0.000	0.000	-0.237
Communities	Crosby PFI- reduced cost following end of contract	PFI contract ends 27/28 – saving of £0.263m to be made with new operating model- phasing of saving would be required to achieve in 2026/27	0.000	0.000	-0.263
Operational In-House Services	OIHS Management budget	Deletion of vacant admin post and subscription budget- no impact on Service	-0.055	0.000	0.000
Operational In-House Services	Waste Management	Deletion of transport co-ordination post- no impact on Service	-0.046	0.000	0.000
Operational In-House Services	Sefton ARC	Staff restructure- no job reductions and reduced agency costs	-0.107	-0.100	0.000
Operational In-House Services	Green Sefton	Deletion of vacant engagement officer post and extend replacement cycle from 7 to 10 years	-0.101	0.000	0.000
Operational In-House Services	Review cleaning in alleys that aren't responsibility of the Council	The service conducts alley cleansing and cleaning on land that isn't the responsibility of the Council – the Council would no longer provide this service and it would be undertaken by the landowner. Figures represent initial estimate of saving and will be refined as work progresses and ultimate agreement is reached.	0.000	0.000	-1.168
Operational In-House Services	Clinical Waste	Increase charges to ensure full cost recovery for the service.	-0.020	0.000	0.000
Operational In-House Services	Waste Management Traded Services	Increase charges to ensure full cost recovery for the service.	-0.120	0.000	0.000

Highways and Public Protection	Cease Southport Park and Ride	This is the current value of bus subsidy that would be saved if the service ceased- usage has dropped substantially over recent years. Retain car park / coach park as paid for car park with Pay & Display	-0.200	0.000	0.000
Highways and Public Protection	Change Charging Regime for temporary Lighting column advertising (new developments)	Currently charge a one-off flat fee. Move to a rental system with signs paid for per week / month. Would also encourage developers to remove signs, or rental period would continue	-0.015	0.000	0.000
Highways and Public Protection	Restructure**-** Development & Support Manager	Delete currently vacant post of Development & Support Manager	-0.060	0.000	0.000
Highways and Public Protection	Signal Switch Offs for Highways Works	Increase charges by £200 per occasion to align with neighbouring Authority charges	-0.025	0.000	0.000
Highways and Public Protection	Fund Transport Projects Manager post from the Capital Programme	Capitalisation of post	-0.055	0.000	0.000
			-4.265	**-2.465**	**-4.378**

Adult Social Care – Demand Management Savings

Proposal	Description of work that will be undertaken to deliver savings	Proposed Net Budget Reduction 2024/25	Proposed Net Budget Reduction 2025/26	Proposed Net Budget Reduction 2026/27
		£'m	£'m	£'m
Programme 1 – Market Sustainability and Transformation Supporting People to Live in the Community and reduction in residential care	• ASC Commissioning – develop alternative models to residential care (Extra Care Housing, focus on under 65 • Recommissioning of Supported Living • Acceleration of the Extra Care Housing Programme. • Recommission Care Homes – reduction of 1:1 / implement policy and increase income – move from net to gross payments. • Introduction of a Sefton Quality Mark • Further develop Fee strategy linked to reduction in care home admissions and growth of alternatives recognising acuity levels in care homes. • Implement Prevention strategy.	-1.770	-1.740	-1.580

Programme 2 – Joint Arrangements holistic approach to supporting people with health and care needs (Reviews)	1. Micro commissioning – Undertake outcome-based reviews jointly with Health and reduce Council cost 2. Complete further Section 117 reviews that will reduce council cost. 3. Further leverage savings from the integrated funding panels that are in place for AACHC and Joint funding across all age.	-0.400	-0.400	-0.400
Programme 3 –Transitions Joint work with Children's Services to Adults – 0-25 service implementation	1. Undertake work that will contribute to the reduction of Cared for Children 2. Implement Early Help, transitions pathway at 16 and outcomes review. 3. Implement cost avoidance programme. 4. Introduce improved housing pathways and ways to supported employment. 5. Implement improved crisis management and Gateway into Mental Health services.	-0.220	0.000	0.000
Total Savings		**-2.390**	**-2.140**	**-1.980**

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Appendix C

Council Budget Summary 2024/2025

Line Ref	Service	Base Budget 2023/2024 £	Draft Base Budget 2024/2025 £
1	**Strategic Management**	**3,938,850**	**3,938,850**
2	**Adult Social Care**	**111,270,600**	**121,731,600**
3	**Children's Social Care**	**81,581,100**	**81,281,100**
4	**Communities**	**12,085,850**	**11,566,750**
5	**Corporate Resources**	**8,866,700**	**10,602,600**
6	**Economic Growth and Housing**	**6,636,300**	**6,774,100**
7	**Education Excellence**	**15,598,350**	**17,698,350**
8	**Health and Wellbeing**	**19,645,300**	**19,645,300**
9	**Highways and Public Protection**	**10,973,000**	**10,882,500**
10	**Operational In-House Services**	**17,603,050**	**17,646,950**
11	**Other Services**	**2,773,000**	**2,673,000**
12	**Net Cost of Services**	**290,972,100**	**304,441,100**
13	Debt Repayment / Net Interest	8,101,800	8,465,800
14	**Sub total**	**299,073,900**	**312,906,900**
15	Levies	36,193,000	37,293,000
16	Application of Provisions / Reserves / Corporate Expenditure	7,874,200	3,402,810
17	Capitalisation	-1,566,000	-3,566,000
18	Corporate / One-Off Savings	-671,100	-611,100
19	Inflationary Items to be Allocated	-1,260,427	4,966,773
20	Corporate Savings to be allocated to Services	-440,000	-440,000
21	**Total**	**339,203,573**	**353,952,383**
22	Specific Government Grants	-23,362,250	-23,670,250
23	Non-Specific Government Grants	-60,724,000	-71,801,800
24	**Total**	**255,117,323**	**258,480,333**

Appendix C

Agenda Item 9

Council Budget Summary 2024/2025

Line Ref	Service	Base Budget 2023/2024 £	Draft Base Budget 2024/2025 £
25	Increase in General Balances	4,423,000	13,977,000
26	**Total Budget Requirement**	**259,540,323**	**272,457,333**
27	Add Parish Precepts	1,424,341	1,424,341
28	**Total Net Expenditure**	**260,964,664**	**273,881,674**
	SUMMARY OF GENERAL BALANCES		
29	Balances Brought Forward	11,991,057	16,414,057
30	Increase in Balances	4,423,000	13,977,000
31	**Balances Carried Forward**	**16,414,057**	**30,391,057**

INANCING OF SEFTON'S BUDGET REQUIREMENT			
otal Budget Requirement		259,540,323	272,457,333
Less:	Revenue Support Grant	0	0
	Top-Up Grant	-23,917,167	-26,174,007
	Business Rates Receipts	-75,095,646	-76,700,273
	Collection Fund Deficit / Surplus (-) - Council Tax	-1,715,762	-1,298,585
Sefton Requirement from Council Tax		158,811,748	168,284,468
Band D Council Tax		1,853.90	1,946.41
Illustrative Council Tax Increase		**4.99%**	**4.99%**

Appendix D

Capital Programme 2024/25 to 2026/27

Capital Scheme	Budget		
	2024/25 £	2025/26 £	2026/27 £
Adult Social Care			
ICT Development & Transformation	307,067	2,708	-
ICT Connectivity in Care Homes and Support Living	35,000	-	-
Care Home Improvements	200,000	-	-
Integrated Health and Wellbeing on the High Street	400,000	-	-
Short Term Assessment Unit	1,213,154	1,847,000	-
New Directions Programme	201,000	-	-
Technology Enabled Care	124,184	-	-
Digitising Social Care	195,000	-	-
Children's Social Care			
Support for Fostering Placements	100,000	-	-
Springbrook Vehicle	70,000	-	-
Communities			
Atkinson Arts Centre – Infrastructure & Windows	170,993	-	-
Leisure Centres – Essential Works	103,000	-	-
Libraries Projects	131,017	-	-
Corporate Resources			
Council Wide Essential Maintenance	393,595	-	-
Council Wide Essential Maintenance Phase 2	2,500,000	2,500,000	2,387,372
ICT Development & Transformation	147,549	-	-
Economic Growth & Housing			
Crosby Lakeside Redevelopment	33,219	-	-
Strategic Acquisitions – Ainsdale	526,303	-	-
Marine Lake Events Centre	16,770,090	43,205,556	2,953,748
Enterprise Arcade	1,105,078	-	-
Transformations de Southport	1,500,000	696,063	-
The Strand – Repurposing Programme	6,666,667	6,666,667	6,666,666
Housing Investment	33,960	-	-
Council Housing at Buckley Hill Lane	2,222,783	-	-
Southport Pier	2,148,267	-	-
Town Centre Vacant Sites	58,764	-	-
Education Excellence			
Early Years	534,202	-	-
General Planned Maintenance	30,249	-	-
Schools Programme	7,478,925	-	-
Sporting Betterment of Schools	1,256,365	-	-
Special Educational Needs & Disabilities	1,095,276	-	-
Highways and Public Protection			
Accessibility	390,000	-	-
Healthy Lifestyles	206,367	-	-
A565 Route Management and Parking	35,458	-	-
A565 Northern Key Corridor Improvements	97,262	-	-

Appendix D

	2024/25 £	2025/26 £	2026/27 £
A59 Route Management Strategy	2,795,963	322,000	-
Strategic Planning	1,450,000	-	-
Bridges and Structures	2,000,000	-	-
LED Street Lighting Upgrade	3,662,630	-	-
Urban Traffic Control	440,000	-	-
Completing Schemes and Retentions	13,490	-	-
Highway Capitalisation	1,616,000	1,616,000	1,616,000
Transport Growth Programme	789,813	-	-
Operational In-House Services			
Coastal Erosion and Flood Risk Management	1,983,688	898,000	1,430,273
Countryside Stewardship	1,740	-	-
Parks Schemes	961,053	-	-
Tree Planting Programme	190,764	94,879	94,879
Golf Driving Range Developments	282,477	-	-
Ainsdale Coastal Gateway	427,989	-	-
Green Sefton – Vehicles, Plant & Machinery	1,996,237	-	-
Refuse Collection & Recycling	345,000	-	-
Vehicle Replacement Programme	1,307,328	-	-
Total Programme	**68,744,965**	**57,848,873**	**15,148,939**

Grant Allocations 2024/25 to 2026/27 (indicative amounts)

Capital Grant	Block Allocation		
	2024/25 £	**2025/26 £**	**2026/27 £**
Adult Social Care			
Disable Facilities Grant *	4,823,370	4,823,370	4,823,370
Education Excellence			
Basic Needs	-	1,684,671	-
Devolved Formula Capital (direct school allocation) *	338,520	338,520	338,520
Schools Condition Allocation *	2,207,934	2,207,934	2,207,934
Highways and Public Protection			
City Region Sustainable Transport Settlement	10,766,000	8,466,000	7,516,000
Total	**18,135,824**	**17,520,495**	**14,885,824**

** Indicative grant allocations based on amounts received in 2023/24. The actual allocations for 2024/25 and future years are still to be confirmed by the Department for Levelling Up, Housing and Communities and the Department for Education.*