

Report to:	Cabinet Council	Date of Meeting:	11 February 2021 4 March 2021
Subject:	Revenue and Capital Budget Plan 2021/22 – 2024/25 and Council Tax 2021/22		
Report of:	Chief Executive and Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Leader of the Council		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This report will provide Cabinet and Council with:

- An assessment of the Council's current financial position and approach to the 2021/22 Budget Plan and preparation for the three-year budget period 2022/23 to 2024/25;
- An update on the Government's announcement of resources that are available to the Council for 2021/22;
- The Council's current financial position and the assumptions built into the Medium-Term Financial Plan;
- The proposed Budget for 2021/22; and,
- The proposed Capital Programme for 2021/22.

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.

The Council's Framework for Change Programme is a comprehensive and ambitious programme that seeks to support the delivery of the Council's core purpose. As would be expected with a programme of this size and complexity that spans a number of financial years, the detailed proposals have been and will continue to be the subject of change as they are developed and ultimately implemented.

Recommendation(s):

Cabinet is recommended to:

1. Note the update of the Medium-Term Financial Plan for the period 2021/22 to 2024/25;
2. Recommend to Council the Budget Plan for 2021/22, including the Revenue Budget, allocation of specific grants (section 13), and Capital Programme (Appendix C), 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); and,
4. Approve the commencement / continuation of all appropriate activity within Framework for Change 2020, as detailed in the report, including, for example, consultation with employees and engagement with partners and contractual and policy changes.

Council is recommended to:

Budget 2021/22 and Medium-Term Financial Plan from 2022/23 to 2024/25

1. Note the update of the Medium-Term Financial Plan for the period 2021/22 to 2024/25;
2. Approve the Revenue Budget for 2021/22 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 continuation of the Framework for Change 2020 Programme (as described in Section 3) and agree to the commencement of all appropriate activity as detailed, including for example, consultation with employees and engagement with partners and contractual changes as the programme develops;
4. Approve current levels of trade union facility time and associated arrangements for the whole period of the budget plan for 2021/22 – 2024/25;
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 2021/22 including Police, Fire, Mayoral and Parish Precepts; and,

Capital Programme 2021/22 to 2022/23

1. Approve a supplementary capital estimate of £12.750m for the Street Lighting Asset Project detailed in Section 17;
2. Approve for inclusion within the Capital Programme the other Capital schemes detailed in section 17 and the full list of other projects in Appendix C.

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 2021/22 and will ensure that the Council's statutory obligations are met. In addition, it begins the planning for the financial strategy for the following three 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 2021. 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. 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.

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 Heads of Service, and will continue to do so.

The Executive Director of Corporate Resources and Customer Services (FD6289/21) is the joint author of the report and the Chief Legal and Democratic Officer (LD4490/21) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

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

The budget proposals contained within this report provide a basis for setting the budget for 2021/22. 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 4 March 2021.

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Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets 2021/22
- B. Draft Council Budget Summary 2021/22
- C. Capital Programme 2021/22 – 2022/23

Background Papers:

Financial Management 2020/21 to 2023/24 and Framework for Change 2020 – Medium Term Financial Plan 2021/22 to 2023/24– Report to Cabinet – 1 October 2020

1. Introduction

- 1.1 This report provides Members with an update on the overall financial position of the Council. It refreshes the Medium-Term Financial Plan for 2021/22 which is the first year of the Council's new Financial Strategy period. In addition, it provides an initial view on the likely funding position that the Council will face from 2022/23 to 2024/25. In doing so the report presents the proposed budget for 2021/22.
- 1.2 In addition, Individual School Budgets and the Capital Programme require approval.

2. The National Context and financial environment

- 2.1. From 2010/11 the Government implemented a decade long programme of austerity. The impact of these central government funding reductions on local government since 2010 is stark and has been widely reported. The legacy of funding reductions has severely impacted on the financial sustainability of local authorities and led to significant challenges facing councils over the short and medium term.
- 2.2. Whilst funding reduced significantly, the pressure on demand led services continued to grow with large increases in the number of Looked After Children as well as people over 65 in need of care. This has meant that expenditure on other services has continued to reduce.
- 2.3. Similarly, the High Needs Budget (part of the Dedicated Schools Grant) provides funding for children and young people with special educational needs and disabilities (SEND) and local authorities across the country continue to experience significant funding shortfalls for this group of children and young people.
- 2.4. In light of this position many local authorities are reporting that they are coming under an increasing level of financial stress, with an increased use of one-off resources being used and the utilisation of reserves to bridge budget shortfalls, thus compromising their financial sustainability. The much-publicised situation at a number of authorities outlines the consequences of over relying on the use of reserves, non-delivery of savings proposals to mitigate funding reductions and a failure to effectively plan and enact robust and disciplined financial control.
- 2.5. This inherent position has been compounded in 2020/21 with the COVID-19 pandemic having had a massive impact on local authority finances. Although significant amounts of funding have been made available by the government to help councils respond to the pandemic and mitigate the income losses they have incurred, it has only added to the level of financial stress local authorities are experiencing. These pressures include significant losses of council tax, business rates and income from sales, fees and charges as well as increases on costs for Looked After Children and other demand led services. This experience in 2020/21 will continue into 2021/22 and beyond and is the greatest threat to the financial sustainability of local authorities and the ability to meet the requirements of local residents.

2.6. In the last three years there has been some one-off funding allocated by Central Government to councils in addition to core funding to assist with the pressures being experienced across the sector. These short-term funding initiatives, whilst welcome, do not meet the spending pressures that local authorities, including Sefton, are experiencing; nor do they make it possible for councils to effectively plan over the short and medium term. Consequently, despite this one-off funding, local government continues to be underfunded, with key services that affect the most vulnerable in society not being sustainably supported.

2.7. The Spending Review 2020, published on 25 November 2020, contained a number of announcements relating to local government. The Provisional Local Government Finance Settlement for 2021/22, announced on 17 December 2020, gave more detail on the impact of these announcements on Sefton (see paragraphs 4.4 to 4.19). However, as a result of the pandemic the Spending Review only covered 2021/22 and a further Spending Review has been announced for 2021 to cover 2022/23 to 2024/25. In addition, there were two significant changes to local government funding that were expected to be introduced from April 2021 relating to a Fair Funding Review and the introduction of 75% Business Rates Retention for all local authorities. The fundamental review of business rates has now been postponed until 2022/23 and the Fair Funding Review has been delayed until 2022/23 at the earliest. If introduced in 2022/23 they will therefore have an impact on the Medium-Term Financial Plan. As with previous years these are explained below for Members consideration:

Fair Funding Review:

2.8. The Government is currently undertaking a funding review to determine the means of allocating funding across local authorities. Funding allocations for local authorities, as determined in the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind the relative needs assessment was introduced over ten years ago, and data used in the formulae has not been updated since the introduction of the 50% business rates retention system in 2013/14.

2.9. The Government wants to introduce a simpler and more transparent methodology reflecting a small number of cost drivers. One key cost driver, as previously, will be population. Sefton's relative population has declined compared to England as a whole since the methodology was last updated. Therefore, this element is likely to have a negative impact on the Council's overall funding position.

2.10. The Government has continued to consult with local authorities as well as be influenced by discussions within a number of joint working groups between the Ministry of Housing, Communities and Local Government and the Local Government Association. Sefton has, and will continue to, respond to any consultations to try to influence the final methodology.

Business Rates Retention:

2.11. Sefton's Business Rates baseline was last set in 2013/14. Sefton's retained rates income is forecast to be above its funding baseline for 2021/22, 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.

- 2.12. As part of the Fair Funding Review, the Business Rates baseline will be re-assessed and changed. Therefore, the benefit of these gains is expected to be lost going forward.
- 2.13. Also, nationally the proportion of Business Rates retained by local authorities will increase from 50% to 75%. It is expected that pilot authorities will also move to 75% retention so a lower proportion (74%) of any future growth will be retained by the Council.
- 2.14. As stated, these two changes, in addition to the comprehensive Spending Review, have now been deferred to April 2022 at the earliest. Whilst this will allow time for the remaining decisions over the design of the reforms to be made, it means more uncertainty about the future funding arrangements for the Council beyond 2021/22. In addition, the eagerly awaited publication of the Adult Social Care Green Paper, has still not materialised and there is no indication of when it will be.
- 2.15. This scenario means that medium term financial planning beyond 2021/22 is incredibly difficult and does not support sustainable financial management nor service planning. The recent financial settlement provides the Council of confirmation of the funding that will be available in the next financial year, but due to the apparent one off nature of this funding (including that to support the Council's continued response to the pandemic and the financial impact on key services and reductions in income), no visibility or understanding of the changes that will come through the spending review, fair funding review or review of business rates retention and the impact of COVID-19 and Brexit on the nation's economy, developing a reasonable estimate of the Council's financial envelope for the latter three years of the MTFP isn't possible.
- 2.16. As previously referenced, the implications of this on the Council cannot be underestimated. The Council has an excellent record with regard to financial management over the last 11 years that has required it to meet a budget shortfall of £233m. This has been predicated on medium term financial planning and setting multi-year budgets that enable effective planning of service delivery and the inevitable transformation activity. The approach by central government to local government finances due to the national political agenda, COVID-19, Brexit and the lack of progress on key financial reforms leaves local government and Sefton in a vulnerable position as this medium-term planning is not possible.
- 2.17. This position is reflected in the Chancellor of the Exchequer stating publicly in September 2019 that a new 'economic decade' is now upon us and that services will be resourced appropriately on the back of a new fiscal agenda and set of rules. On face value this should be encouraging for local government with the end of the decade long austerity programme and the potential for real term increases to government funding being experienced. This view however is tempered by a number of commentators stating that the economic forecast under a range of scenarios and taking into account the impact of COVID-19 and Brexit, will result in less scope for investment in public services and the likelihood that further cuts to funding are inevitable. This only further increases the uncertainty.
- 2.18. As a result of these factors, it will be important that the Council continues to engage in the reforms of local government finance both individually and as part of the Liverpool City Region. This will help the assumptions in the MTFP to be

continually refined over the next 12 months and inform the budget proposals that will come through between 2022/23 and 2024/25.

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

- 3.1. Sefton, like many local authorities, has found the last decade challenging in terms of the national funding conditions outlined above and the significant and growing pressures across a range of Council services. The Council has a proven track record of effectively managing its finances, meeting its financial objectives and delivering financial sustainability, however this is becoming increasingly difficult. .
- 3.2. Central government policy has, unsurprisingly, seriously challenged the ability of the Council to provide essential services to the community and its most vulnerable residents. Demand for adults and children's services has rapidly increased over recent years as reflected in the National Audit Office study. No sustainable additional resource has been provided by Government, although there has been some one-off grant to help to mitigate some of the cuts to core funding. Service budgets have seen significant reductions and as a result there have been major changes in service provision; however, the Council has continually strived to ensure that essential services that safeguard the most vulnerable residents are protected and prioritised in addition to ensuring that financial sustainability is maintained.
- 3.3. This position has been compounded as a result of COVID 19, with an exponential increase in demand for services, loss of income from fees and charges and significant reductions from business rates and council tax receipts also being experienced. Whilst the Council has navigated its way through the last 10 years of spending reductions, the immediate impact of the pandemic will require another fundamental review of the Council's income levels and how these support the delivery of services whilst ensuring financial sustainability is maintained. This is a scenario facing all local authorities and the need for continued and long-term central government support on each of these aspects is clear.

Sefton Council 2030 Vision- Framework for Change 2020 and delivering Financial Sustainability

- 3.4. The Budget Report for 2020/21 highlighted that the Framework for Change Programme 2017 had allowed the Council to support the delivery of the Borough's 2030 Vision and its own objectives as set out in its Core Purpose, as well as successfully enabling the Council to set and deliver balanced budgets in each of the three years of the budget plan period 2017/18 to 2019/20.
- 3.5. In moving into the next three-year budget cycle of 2020/21 to 2022/23, it was proposed that the Framework for Change programme evolved further and continued to be used as the Council's delivery vehicle in order support the delivery of the 2030 vision, the Core Purpose and to deliver financial sustainability. Budget Council in February 2020 therefore approved the Framework for Change Programme 2020.

- 3.6. The previous Framework for Change programme was built on four workstreams / pillars and these form the cornerstone of the 2020 Programme, namely Public Sector Reform, Growth and Strategic Investment.

Public Sector Reform

- 3.7. Within the new Public Sector Reform pillar, two projects were proposed. These were: -
- Council of 2023; and
 - Demand Management

Council of 2023

- 3.8. The project takes account of the successful work to date in delivering the partnership 2030 Vision and the Council's Core Purpose. This will further enable the Council to define what it will do and how (within the budget available), what outcomes are expected, how these will be measured, what resources will be allocated and where it will focus its influence. This will ensure a clear correlation between the policy objectives of the Council and its budget / resource allocation process.
- 3.9. As such this project will ensure that: -

- All of the Council's resources are aligned and prioritised in order to support the delivery of the 2030 Vision and Core Purpose;
- The Council delivers a balanced and sustainable budget;
- The Council has the required leadership, management and workforce capability and capacity in order to deliver the Core Purpose and required programme of change;
- New ways of working are developed to improve outcomes for local people, deliver priority outcomes and improve efficiency and effectiveness;
- The Council builds on the One Council ethos in order to embed its defined culture, values and behaviours that are required to deliver the 2030 Vision and Core Purpose; and
- The Council will work in partnership with key stakeholders to deliver the 2030 Vision

- 3.10. Specifically, this project has four workstreams, the detail of which was provided in the 2021/22 Budget Report.

Workstream 1- Service Inputs and New Operating models

Workstream 2- New Ways of Working and Taking Advantage of Technology

Workstream 3- Workforce Development

Workstream 4- Organisation design across the Council

Demand Management

- 3.11. Demand led budgets across the Council (for example Adult Social Care, Children's Social Care, Public Health, Home to School Transport) amount to over £100m of the Council's budget. The 2020/21 budget included additional

contributions to these areas of around £6m which reflects an ever-increasing demand. Significant increases in these budgets are also proposed for 2021/22.

- 3.12. Due to the size, complexity and demand for these services, a continual review must be undertaken to ensure that the cost base for these services reduces, an early intervention and prevention programme is embedded, and residents are supported in 'moving down the system' so as to reduce the demand for Council services and particularly those at the acute end.
- 3.13. The move to locality-based working with an emphasis on early intervention and prevention aims to reduce demand by identifying need much earlier and working with partners to build resilience and to require public services less. This work is starting to be embedded within communities and is a success story from Framework for Change 2017. This will be built on in the next few years and will lead to improved outcomes and financial benefits in future years.
- 3.14. To develop the demand management programme within the next few years, and reduce the demand-led budgets previously set out, requires a focus on the next cohort of service users that may require Council services and to look at innovative ways to support resilience using a partnership approach. This will require a detailed focus on why people are entering services and what can be done to prevent this in the future. Where a service is provided the Council needs to ensure this is achieving value for money and promoting future resilience.
- 3.15. This will be done through:
 - Safely and sustainably managing and reducing demand for Council services over the next three years;
 - Being clear about what the Council defines as "demand led" systems;
 - Focussing on:
 - Early Intervention and Prevention
 - The need and review of activity
 - Strong market engagement, development and management
 - Eligibility policies.
 - Developing links and alignment with other elements of programme, with a real focus on 'community and personal resilience' and reducing the need for Council services;
 - Developing a comprehensive performance management framework that includes a comparison with statistical partners and neighbours; and
 - Ensuring that the Council considers the connectivity with partner agencies and their impact on our system, e.g. health.
- 3.16. This will be a dedicated project across a number of services with immediate, short, medium and long term workstreams. These are:

Workstream 1- Localities - further embedding early intervention and prevention

Workstream 2- Children's Social Care – Delivering the Children's Plan

Workstream 3- Adults' Social Care

Workstream 4- Streetscene

Workstream 5- Education Excellence

Workstream 6- Special Educational Needs and Disability (SEND)

Economic Growth and Strategic Investment

- 3.17. At the start of the Framework for Change 2017 programme it was acknowledged that during the three-year period work would be undertaken in order to develop the Growth and Strategic Investment pillars in order to get to a position whereby these would move from inception to delivery stage.
- 3.18. This programme will directly support economic growth and development within the Borough, creating new jobs and businesses and enhanced productivity. It will also directly benefit the Council by reducing / removing subsidies, creating new net revenue streams and Council Tax and Business Rates receipts.
- 3.19. The Programme will be delivered within a set of themes which include:
 - Town Centre Regeneration for example through the potential Southport Town deal;
 - Large Employment Sites;
 - Strategic Transport Schemes;
 - Coast Access Gateways;
 - Industry sector development;
 - Housing;
 - Employment and Skills; and
 - Investment
- 3.20. The Programme will also include “Invest to Save” schemes whereby capital investment directly reduces or removes a service cost to the Council.
- 3.21. The Programme is underpinned by a number of strategic initiatives which include:
 - The Asset Management and Disposal Policy and the continuation of the asset maximisation project from Framework for Change 2017;
 - Strategies such as the Sefton Economic Assessment and Strategy and the Sefton Coast Plan;
 - LCR CA Single Investment Fund;
 - The Liverpool City Region Local Industrial Strategy

4. Budget Plan 2021/22 – 2024/25

- 4.1 As discussed previously within the report, 2021/22 is the first year of the Council's new financial strategy period. Cabinet, on 1 October 2020, approved an updated Medium-Term Financial Plan (MTFP) for the period 2021/22 – 2023/24, including the assumptions made. It is now proposed to extend the financial strategy period

to 2024/25 to align with the expected government three-year Comprehensive Spending Review which will set departmental spending limits for 2022/23 to 2024/25.

- 4.2 As part of this budget setting cycle, each key element of the MTFP has been reviewed, namely: -
- The implications of the Provisional Local Government Finance Settlement for 2021/22;
 - All MTFP assumptions including existing service budget pressures; and,
 - Non-recurring savings.
- 4.3 In addition, the impact of COVID-19 on the Council's budget for 2021/22 are significant and have resulted in this year's budget being the most technical it has been required to set. The impact of COVID-19 on the Council's budget are therefore considered separately in section 9.
- 4.4 The following sections of the report consider the Council's normal budget and detail each element of the MTFP in turn.

Local Government Finance Settlement

- 4.5 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.
- 4.6 In addition, for 2021/22 the Council needs to consider the support being made by the government to support the financial pressures resulting from the ongoing impact of COVID-19. The announcements relating to this are considered in section 9.
- 4.7 The Provisional Local Government Finance Settlement for 2021/22 was announced on 17 December 2020. This confirmed a number of funding announcements made in the 2020 Spending Review on 25 November 2020, and these are detailed from paragraph 4.7.
- 4.8 As previously mentioned, this Settlement is for one year only, and as such makes it extremely difficult to forecast the funding the Council is likely to receive in 2022/23 to 2024/25.

Social Care Grants

- 4.9 In 2020/21, the Government provided £1,410m of Social Care Grant funding which was distributed using the Adult Social Care Relative Needs Formula. Sefton's allocation was £9.315m. As outlined in paragraph 2.6, it was unknown whether this represented short-term additional funding. The Spending Review

and subsequent financial settlement have confirmed that this funding would continue to be paid in 2021/22.

4.10 The Spending Review also announced that an additional £300m of Social Care Grant would be paid to local authorities in 2021/22. Of this, the Government proposes to distribute £60m using the Adult Social Care Relative Needs Formula, with the remaining £240m 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 allocation is **£2.505m**.

4.11 In addition, local authorities have been given the power to raise Council Tax by a further 3% on top of the core principle as an Adult Social Care Precept. The Government expect that local authorities will use this power in full, having announced that this will raise a further £700m nationally as part of the £1,000m funding announced as being available for social care. This is discussed further in section 10.

Lower Tier Services Grant

4.12 The Government announced a new unringfenced Lower Tier Services Grant in 2021/22, which will allocate £111m to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). Sefton's allocation is **£0.430m**. It is unclear whether this grant is permanent or temporary funding.

Public Health Grant

4.13 The Spending Review didn't announce any additional funding for Public Health through the Public Health Grant. The grant had been increased of £0.993m in 2020/21, although Sefton's grant had previously reduced by nearly £3.600m between 2015/16 and 2019/20. As such there is no change to this budget within this budget plan.

New Homes Bonus

4.14 The Government will continue to make payments of New Homes Bonus in 2021/22. However, as expected, the main grant allocations for 2020/21 will not continue. Therefore, Sefton's allocation will reduce by £0.266m in 2021/22, from £0.421m to £0.155m.

Housing Benefit / Council Tax Admin Subsidy

4.15 In recent years the amount of subsidy received by the Council to help fund the administration costs of Housing Benefits and the Council Tax Reduction Scheme has been reducing year on year. It is anticipated that this reduction will continue in future years with an **estimated** reduction of **£0.100m** per year.

Settlement Funding Assessment / Business Rates Baseline

4.16 To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2021/22. Local authorities will be fully compensated for this decision through additional Section 31 Grant. It is estimated that this will result in **£0.781m** of additional funding in 2021/22. In addition, the government announced that the Revenue Support Grant will increase by CPI which will result in additional funding of **£0.066m** in 2021/22.

Implications for 2022/23 and 2024/25

- 4.17 Given the outcome of the Spending Reviews in 2019 and 2020, and the central government narrative around a 'new economic decade', it is assumed that nationally there will be no reductions in local government funding between 2022/23 or 2024/25 (although there remains concern over the overall funding that will be available for public services due to the overall fiscal landscape including the ongoing implications of COVID-19). As a result, it is therefore assumed that all grants will continue into future years. However, as mentioned in paragraphs 2.8 to 2.13, there are major reviews of the way local government is financed that could have a significant impact on the funding of the Council and, given Sefton's relative decline in population, even if the funding envelope for local government is maintained at current levels, the Council may see a reduction in funding of £9.000m over the medium to long-term. It would be hoped that protections are put in place, with the Local Government Association calling for no Council to see a reduction in funding.
- 4.18 The Council is therefore assuming that funding will not change during the period of the three-year Spending Review 2022/23 – 2024/25, however this estimate will inevitably change. This is the key estimate that will influence the funding available to the Council in future years and as further information becomes available, Members will be updated immediately. In addition to this, and as reflected earlier in this report, the Council will continue to experience the impact of the pandemic on all aspects of its budget. This is reflected in the two most significant budget risks that exist at this time which are in respect of the Children's Social Care Budget (placements and packages) and the collection fund (i.e. council tax and business rates receipts). These two areas have experienced a dislocation in their budgets in 2020/21 and whilst some support is offered for 2021/22, there will be an impact long after this period. As a result, the Council will need to lobby central government extensively for continued support over the long term for these areas in order that current service levels across the Council and financial sustainability can be maintained.

Schools and High Needs Funding

- 4.19 Nationally, the schools' budget rose by £2.6 billion in 2020/21, and will rise by £4.8 billion in 2021/22 and £7.1 billion in 2022/23, compared to 2019/20 funding levels. In addition to this, each year the government will provide almost £1.5 billion of funding to compensate schools for the increased cost of employer pensions contributions.
- 4.20 In addition, the government provided £700m more in 2020/21 compared to 2019/20 funding levels to support children and young people with special educational needs. This additional funding will continue into 2021/22.
- 4.21 The funding of Sefton schools and High Needs are discussed further in section 12.

Key MTFP Updated Assumptions

- 4.22 Within this MTFP, there are a number of key assumptions that will impact upon the funding gap facing the Council in the period 2021/22 to 2024/25 as well as a number of other budget changes. These are set out as follows:

Resources to fund pay awards, increases in the pension future service rate, specific contracts and potential price increases from care providers

- 4.23 In line with previous MTFPs, the Council makes provision for the estimated costs of annual increases in pay, pensions etc. Provisions for these items total **£5.950m** per year. However, for 2021/22 there will be a reduction in the provision for pay awards (see paragraph 5.4).

Levy Increases

- 4.24 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 (MRWA). Sefton has received notification of provisional figures for 2021/22 which indicates there will be a **reduction** in levies of **£0.070m** in 2021/22. This excludes £0.969m relating to additional one-off costs incurred by the MRWA due to measures introduced because of COVID-19. The Council will utilise the COVID-19 emergency funding to cover these costs. A provision has been included for the potential costs of increases in these levies in future years (£0.700m per year).

Existing Service Budget Pressures

- 4.25 The Budget Monitoring reports for 2020/21 presented throughout the year have indicated significant ongoing budget pressures in four service areas:

<u>Service</u>	<u>Budget Pressure</u>
	£m
Children's Social Care – Placements & Packages	5.280
Communities – Children with Disabilities / PSR2	1.050
Education Excellence – Home to School Transport	1.100
Locality Services – Security Force	0.350
	7.780

- 4.26 It is considered prudent to build these costs into the 2021/22 budget as these pressures will continue into future years.

Other Changes

- 4.27 A number of other changes have been built into the MTFP for 2021/22, including a permanent shortfall on the budget for Council Tax court cost recovery and an increase in the contributions to the Insurance Fund due to an increase in insurance premiums and costs (**£0.535m**).

Non-Recurring Savings / Costs

- 4.28 A number of items built into the 2020/21 budget were only achievable for a limited period and therefore need to be removed from the 2021/22 budget (**£1.782m** net savings in total in 2021/22). These include:
- Treasury Management savings following the review of policy – reduction of £0.200m in 2021/22 with further reductions of £0.200m in future years;

- Provision for the 2020/21 pay award not required due to award being settled at an amount lower than estimated - £0.500m saving;
- Council Tax / Business Rates Net Deficit of £1.482m in 2020/21.

Updated MTFP 2021/22 to 2024/25

4.29 Based upon the revisions relating to Government funding and the updated MTFP assumptions it is now estimated that the funding shortfall between 2021/22 and 2024/25 will be **£29.847m**, before any Council Tax decisions are made, and any additional service delivery options are considered. A detailed analysis is shown below:

	2021/22	2022/23	2023/24	2024/25
	£'m	£'m	£'m	£'m
Government Funding:				
- Social Care Grant	-2.505	0.000	0.000	0.000
- NHS Contribution to BCF	0.000	0.000	0.000	0.000
- Lower Tier Services Grant	-0.430	0.000	0.000	0.000
- Public Health Grant	0.000	0.000	0.000	0.000
- New Homes Bonus	0.266	0.000	0.000	0.000
- Housing Benefit / Council Tax Admin Subsidy	0.100	0.100	0.100	0.100
- Settlement Funding Assessment / Business Rates Baseline	-0.847	0.000	0.000	0.000
- General Government Funding	0.000	0.000	0.000	0.000
	-3.416	0.100	0.100	0.100
Key MTFP updated assumptions:				
- Provision for Pay Inflation	3.250	3.250	3.250	3.250
- Provision for Pension Increases	0.600	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.100	0.100	0.100	0.100
- Assumed increase in Care Provider costs re. Adult Social Care	2.000	2.000	2.000	2.000
- Levy increases	-0.070	0.700	0.700	0.700
- Existing service budget pressures	7.780	0.000	0.000	0.000
- Other Changes	0.535	0.000	0.000	0.000
	14.195	6.650	6.650	6.650
Non-Recurring Savings	-1.782	0.200	0.200	0.200
Revised MTFP Funding Gap	8.997	6.950	6.950	6.950
Total MTFP Funding Gap				29.847

5. Budget Options

5.1 A number of options have been identified that can be used to mitigate part of the MTFP Funding Gap:

2020 Local Government Pension Scheme Valuation

- 5.2 The 2020 valuation of the Merseyside Pension Fund set contributions that the Council will need to pay for the 2020/21 to 2022/23 period. The financial position of the Fund had significantly improved since the previous valuation. Officers from the Council had been engaged with the Pension Fund to ensure this resulted in a significant saving, with payments relating to the deficit on Sefton's element of the Fund reducing dramatically compared to previous years. The saving to the Council will be £6.840m across the three years, with £1.200m relating to 2021/22 and 2022/23.
- 5.3 In addition, the Merseyside Pension Fund offered the Council the opportunity to prepay (in April 2020) a proportion of the total expected contributions for the three-year valuation period at a discount. After allowing for borrowing costs, the estimated net saving will be **£1.300m** in 2022/23 (one year only).

Provision for Pay Inflation

- 5.4 The Spending Review 2020 announced that there would be a pay freeze for the majority of areas in the public sector, including local government. However, staff who are paid less than £24,000 will receive a pay award of at least £250. It is estimated that this will reduce the amount required in the Council's provision for pay inflation by **£2.950m**.

Service options agreed by Budget Council in February 2019

- 5.5 Service Budget Options agreed at the 2019/20 Budget Council meeting delivered £2.269m of savings in 2019/20 with a further £0.368m in 2020/21. Some of the savings were only for a part year. The full year effect of these will deliver an additional **£0.076m** in 2021/22.

Framework for Change 2020 – Demand Management Savings realised in 2020/21

- 5.6 The 2020/21 Budget Report presented to Council in February 2020 outlined the workstreams that would be established in order to review demand led budgets. Due to the size, complexity and demand for these services, a continual review would be undertaken to ensure that the cost base for these services reduces, an early intervention and prevention programme is embedded, and residents are supported in 'moving down the system' so as to reduce the demand for Council services and particularly those at the acute end.
- 5.7 From the initial work of the Adult Social Care workstream, savings of **£3.300m** have been identified in 2020/21, which are offsetting some of the service pressures being experienced in 2020/21. These savings are considered to be permanent at this stage but will continue to be reviewed as part of the Demand Management Project.

Crosby Lakeside Adventure Centre

- 5.8 The Crosby Lakeside Redevelopment Project is to provide a sustainable future for, and to optimise the benefits from, the Centre. Once operational, the Council will no longer be required to provide a subsidy. This will save **£0.110m** in 2021/22 and a further **£0.106m** in 2022/23.

6. Additions to the Budget

Contingency Provision for Growth in Children's Social Care

- 6.1 As previously reported, the pressure on the Children's Social Care budget from increases in the number of Looked After Children remains significant. Whilst the service is currently undertaking a Major Service Review, it is considered prudent to build in a provision of **£2.000m** for 2021/22, to only be made available if costs increase above the current service budget. Further provision may need to continue beyond 2021/22. This will continue to be assessed during the year and any potential implications will be included in future updates of the MTFP.

Additional Staffing in Special Educational Needs and Disabilities (SEND)

- 6.2 In the 2020/21 budget plan it was considered necessary to provide some short-term staffing resources to alleviate the pressures within the SEND service. Due to a significant increase in the number of Education Health and Care Plans (30% since 2016) it is now considered that these staffing resources need to be added into the budget permanently (£0.400m – no net impact as funding is already included in the 2020/21 base budget).

ICT Contract Inflation / Building Health and Safety

- 6.3 The cost of the Council's major ICT systems has increased significantly in recent years and cannot be contained within existing budgets. In addition, the Council is adopting a Corporate Landlord model for all its buildings will ensure the Council meets its health and safety obligations. These unavoidable costs will increase the budget by **£0.780m** in total).

Additional Investment in Street Scene Activities

- 6.4 The Council is committed to ensuring that Sefton remains an attractive place to live, work and visit. It will therefore invest a further **£0.500m** in street scene activities including enhancements relating to the removal of fly tipping, street cleansing and weed removal.

Income from the Strand Shopping Centre

- 6.5 Members will be aware that since the purchase of the Strand, surplus income of over £1.000m has been raised which has been used to support the Council's budget, and indeed the shopping centre has made a positive financial return each year. However, due to the significant impact of COVID-19 on retail businesses it is expected that there will be a reduction in income in 2021/22 as businesses close and others experience difficult trading conditions. The current forecast is that losses of **£1.500m** will be experienced in 2021/22, however this will be the subject of change depending economic conditions, the timing of any further restrictions as a result of the pandemic and the resulting circumstances for individual tenants. This will be reflected in future business cases and monitoring reports.

7. Council Tax / Business Rates – Potential Loss of Income

- 7.1 Section 9 outlines the impact on the 2021/22 budget of expected reductions in Council Tax and Business Rates, both during 2020/21 and 2021/22. However, there is major uncertainty about how much of this impact will be temporary and what might be a more permanent ongoing reduction in receipts from both sources

of income. If the forecast reduction in receipts relating to 2021/22 were to continue into 2022/23 then this would require £6.600m of savings to be found to compensate, assuming no additional government support would be made available to offset these losses.

8. Updated Budget Plan 2021/22 to 2024/25

8.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2021/22 and 2024/25 will be **£33.485m**, before any Council Tax decisions are made, and any further service delivery options are considered. A detailed analysis is shown below:

	2021/22	2022/23	2023/24	2024/25
	£'m	£'m	£'m	£'m
Revised MTFP Funding Gap	8.997	6.950	6.950	6.950
Budget Options:				
- 2020 Local Government Pension Scheme Valuation	-0.600	-0.600	0.600	0.000
- Prepayment of Pension Contributions	0.000	-1.300	1.300	0.000
- Provision for Pay Inflation	-2.950	0.000	0.000	0.000
- Service options agreed by Budget Council in February 2019	-0.076	0.000	0.000	0.000
- Framework for Change 2020 – Demand Management Savings realised in 2020/21	-3.300	0.000	0.000	0.000
- Crosby Lakeside Adventure Centre	-0.110	-0.106	0.000	0.000
	-7.036	-2.006	1.300	0.000
Additions to the Budget:				
- Contingency Provision for Growth in Children's Social Care	2.000	0.000	0.000	0.000
- ICT Contract Inflation / Building Health and Safety	0.780	0.000	0.000	0.000
- Additional Investment in Street Scene Activities	0.500	0.000	0.000	0.000
- Reduction in income from the Strand Shopping Centre	1.500	0.000	0.000	0.000
	4.780	0.000	0.000	0.000
Council Tax / Business Rates – Potential Loss of Income	0.000	6.600	0.000	0.000
Revised MTFP Funding Gap – excluding Council Tax	6.741	11.544	8.250	6.950
Total MTFP Funding Gap				33.485

9. Ongoing Financial Impact of COVID-19

- 9.1 There are a number of issues relating to the impact of COVID-19 on the Council's budget for 2021/22. As it is unclear as to the ongoing impact of these issues beyond 2021/22 it is proposed that these are funded on a temporary basis in the year. Any ongoing implications will be assessed throughout the year and will need to be considered as part of the 2022/23 budget process.

Additional Emergency Funding

- 9.2 The government have announced that additional emergency funding will be available during 2021/22 to respond to the financial impact of the pandemic. The Council will receive £8.063m of this funding. The majority of the funding will be utilised to support the costs of responding to the pandemic and loss of income that will arise during the year, particularly during the early months. The government will continue to request information from councils on the costs and other financial pressures arising from COVID-19. Additional funding may therefore be made available if the government decides that additional support is required. As during 2020/21 the Council will monitor the financial pressures and include these in the monthly budget monitoring report presented to Cabinet.

Sales, Fees and Charges Income

- 9.3 There has been a significant impact on income from sales, fees and charges for a range of services during 2020/21. Whilst some income streams temporarily recovered when lockdown was eased and would expect to do so again once we come out of the national lockdown, others are expected to remain impacted whilst measures are still in place for social distancing, etc.
- 9.4 The government has announced that the compensation scheme in place in 2020/21 to provide support for a proportion of losses will be extended until the end of June 2021. Therefore, an element of losses will be funded through the compensation scheme. It is currently forecast that this could result in a net loss of income of **£1.500m** during 2021/22. This forecast will be reviewed as there is more experience of the impact on reopened facilities. Any balance of losses not funded by the scheme will need to be covered from the emergency funding received by the Council in 2021/22. It is assumed that income levels will return to normal from 2022/23.

Collection Fund deficit in 2020/21 arising from COVID-19

- 9.5 The Council, in line with all other local authorities, is experiencing significant reductions in income from both Council Tax and Business Rates. This relates to increases in households eligible to claim under the Council Tax Reduction Scheme and increases in Business Rates appeals as well as reductions in collection rates. Current estimates are that the total impact could be up to £4.983m for Council Tax and £4.700m for Business Rates.
- 9.6 The government have announced financial support will be provided to offset 75% of irrecoverable losses. However, Council Tax losses relating to non-collection aren't eligible for compensation under the scheme, neither are adjustments relating to previous years. It is estimated that support of £3.871m would be available. The net losses not covered by the scheme would therefore be up to **£5.812m** and will need to be funded.

9.7 The government have also announced that regulations will be amended so that any deficit relating to 2020/21 will be transferred to the Council's budget over three years rather than one. Therefore, the Council will need to set aside resources in 2021/22 to cover two-thirds of the net loss that will be charged into 2022/23 and 2023/24.

9.8 The Council did have a surplus on the Collection Fund of **£1.072m** from 2019/20. This can be used to partially offset the costs not covered by the compensation scheme.

Council Tax Base

9.9 The Council Tax Base is set by Council in January each year. It reflects changes in the number of properties and the value of exemptions and discounts. In recent years the Council Tax Base has increased steadily due to housing growth. However, due to the impact of COVID-19 on the number of CTRS claimants, the reduced collection rate and the slowdown in housing growth, there has been a significant reduction in the Base for 2021/22. Council on 21 January 2021 set the Council Tax Base for 2021/22 at 82,722.1, a reduction of 2,182.3. This reduces the Council Tax Requirement by **£3.564m**.

9.10 The government has announced additional funding to support the loss of income due to increased numbers of CTRS claimants. Sefton's allocation is **£3.471m** and will be used to offset the majority of reduced funding due to the decrease in the Council Tax Base.

Business Rates

9.11 Business Rates collection rates reduced in 2020/21 due to COVID-19 and are expected to remain lower than normal in 2021/22. In addition, there were significant numbers of appeals in 2020/21 due to restrictions being in place; whilst many of these will be temporary there will be a number that will have an ongoing impact in future years, mainly as a result of changing behaviours, particularly relating to retail, hospitality and leisure.

9.12 However, central government have advised that they are currently not assuming that there will be any reduction in the income that is due to be collected by councils. It is estimated that based on the 2020/21 position that **£3.000m** of the Council's income will be at risk as businesses no longer exist or cannot afford to pay business rates. As a result, the Council's base position should in theory be reduced. The Council has chosen to follow central government guidance and the feedback is that this national position maybe reviewed mid-year depending on the actual experience across the country. To mitigate the risk that additional support is not provided this potential loss will be covered by temporary measures described below.

Temporary Mitigating Measures to Offset Council Tax / Business Rates Losses

9.13 The potential net losses on Council Tax and Business Rates above total £7.833m. Given the uncertainty around how the impact on these income streams will continue beyond 2021/22, these losses will be funded through temporary measures. Any ongoing impact will require permanent measures to be implemented as part of future years' budgets. The following temporary measures will be used to fund these losses in 2021/22:

Use of 2020/21 Emergency Funding - It is currently estimated that the Council will have **£4.000m** of emergency funding received in 2020/21 uncommitted at the year-end. These will be used to offset the majority of the losses incurred in 2020/21 (£4.740m).

Framework for Change 2020 – Council of 2023 Savings - The Council has identified savings of **£0.890m** which can be achieved through new ways of working. This includes reviewing ICT contracts in areas such as telephony, bulk printing and mail, as well as reviewing office accommodation to take further advantage of remote / agile working that will support the delivery of the core service, the health and wellbeing of staff and climate emergency agenda.

Forecast Underspend in 2020/21 – Whilst the Council has been forecasting a small net overspend during the year, this is on the basis that the Adult Social Care budget will break even. However, it is forecast that this budget may underspend with a net overall underspend of **£1.000m** projected. Any underspend will be carried forward to help fund Collection Fund losses.

Vacancy Management – The Council currently has a number of vacancies across services. Due to natural turnover, and active management of vacancies, it is estimated that savings of at least **£0.500m** will be achieved.

School Closure Reserve – The 2020/21 base budget includes a contribution of £0.750m to a reserve to fund potential deficits on schools that close or become academies. The contribution in 2021/22 would result in the reserve standing at £1.500m. It is estimated that a maximum of £1.000m is considered prudent at this time so **£0.500m** can be utilised to temporarily support the budget.

Use of 2021/22 Emergency Funding – Any shortfall will be met from an allocation from the emergency funding received by the Council in 2021/22. Currently it is estimated that **£0.943m** will be required.

Summary of Impact of COVID-19 on the 2021/22 Budget

9.14 The table below summarises the estimated financial issues for the Council in 2021/22:

	2021/22
	£'m
Sales, Fees and Charges Income	
Estimated Net Losses	1,500
Use of 2021/22 Emergency Funding	-1.500
	0.000
Collection Fund deficit in 2020/21 arising from COVID-19	
Net losses after government compensation scheme	5.812
Collection Fund Surplus from 2019/20	-1.072
	4.740
Collection Fund deficit re. 2021/22	
Reduction in Council Tax Base	3.564
Council Tax Support Grant	-3.471

Business Rates forecast losses	3.000
	3.093
Temporary Mitigating Measures to Offset Council Tax / Business Rates Losses	
Use of 2020/21 Emergency Funding	-4.000
Framework for Change 2020 – Council of 2023 Savings	-0.890
Forecast Underspend in 2020/21	-1.000
Vacancy Management	-0.500
School Closure Reserve	-0.500
Use of 2021/22 Emergency Funding	-0.943
	-7.833
Net Impact on 2021/22 Budget	0.000

- 9.15 It should be noted that the estimates in respect of the collection fund for both 2020/21 and 2021/22 are based on information held at December 2020 and will be the subject of change both before the end of the current financial year and certainly during 2021/22. As such these will be kept under constant review and, as with Children’s Services, represent the most significant risk to both next year’s budget and ongoing financial sustainability. As a result, if there are material changes to these assumptions, these will be reported via Cabinet and remedial in year actions will be required.

10. Additional Funding

Council Tax Increases

- 10.1 The Spending Review assumed a 2% Core Referendum Principle for illustrative purposes. The Government, as part of the Local Government Finance Settlement, has confirmed the Council Tax Referendum Principle of 2% for 2021/22. A 1.99% increase for Sefton (to ensure the Council wouldn’t breach the principle) would generate £2.688m in 2021/22.
- 10.2 As mentioned in paragraph 4.1, local authorities have been given the power to raise Council Tax by a further 3% on top of the core principle as an Adult Social Care Precept. This would generate an additional £4.053m in 2021/22.
- 10.3 A decision on the level of Council Tax is made by Budget Council each year. The 2020/21 Band C Council Tax is £1,451.58. It should be noted that as part of the Settlement the Government assumes local authorities will raise Council Tax by the maximum amount when calculating an individual authority’s Spending Power and this will directly influence future years funding allocations.

11. Budget 2021/22 – 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 2021/22 and their impact on Sefton’s budget compared to 2020/21 is shown in the table below: -

<u>Levying Body</u>	<u>2020/21</u>	<u>2021/22</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	18,851,000	TBC	TBC
Waste Disposal Authority	15,622,453	TBC	TBC
Environment Agency	159,713	TBC	TBC
Inshore Fisheries & Conservation Authority	68,057	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	34,795,723	TBC	TBC

The approved 2021/22 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

- 11.2 The proposed total increase in the Sefton Council Tax for 2021/22 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) 2021/22

- 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;
- Central School Services – Funding for centrally (Council) retained services, including school admissions;
- Early Years – Universal and additional entitlement for three and four-year olds; two-year old entitlement; and funding for maintained nursery schools; and
- 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).

- 12.2 In September 2019 the Government announced three years of extra funding for Schools and High Needs worth £7.1bn. This has been split across the years as follows: £2.6bn in 2020/21; £2.2bn in 2021/22 and £2.3bn in 2022/23. In 2020/21 the funding included £780m growth funding specifically allocated to High Needs, leaving £1.8bn for mainstream schools.

- 12.3 The 2021/22 Dedicated Schools Grant settlement was announced on 17th December 2020. The 2020/21 National DSG allocation for Sefton of £234.232m is set out in the table below.

Notional DSG Allocations 2021/22	DSG Funding 2021/22 (£m)	Comments
Schools Block	£179.786m	NB: before any inter-block allocations with High Needs (£0.430m).
Early Years Block	£17.860m	
High Needs Block	£35.412m	NB: before any inter Block adjustments for contributions by Schools towards High Needs budget pressures in 2021/22 (£0.430m)
Central Schools Services Block	£1.174m	
Total allocated DSG funding 2021/22	£234.232m	17 Dec 2020 – DfE Allocation Schedule

Schools Block

12.4 Sefton Schools Block will see a net increase in funding of £15.059m compared to 2020/21. This figure includes:

- Funding for the Teachers Pay and Pensions, previously paid as a separate grant (£7.742m);
- Minimum headroom growth of +2% funding per pupil through the new Formula Funding (£5.984m);
- Additional Net funding of (£1.092m) after taking account of changes in pupil numbers between October 2019 and October 2020 (i.e. a Net increase +194.0 year on year.
- Uplifted calculation of funding for pupil class size growth based on changes to actual pupil numbers year on year (£0.241m).

12.5 The above funding increases will ensure that the minimum funding levels per pupil in 2021/22 have been increased to £4,000 per Primary pupil and £5,150 per Secondary pupil. A further £180 and £265 per pupil has been added to this minimum funding baseline respectively to cover the incorporation of the Teachers Pay and Pensions Grant into the schools' formula funding allocations and therefore the minimum per pupil levels are £4,180 (Primary) and £5,415 (Secondary).

12.6 The DfE are committed to implementing a National Schools Funding Formula model (NFF) but making it mandatory has now been delayed until 2024/25. Sefton had committed to moving from the previous local formula to the national methodology NFF in the budget setting process for 2021/22.

12.7 The Minimum Funding Guarantee (MFG) has been set at +2% in 2021/22 which means that every school will see a minimum 2% increase per pupil compared to 2020/21 per pupil values. However, the move to applying the full NFF formula funding values to Sefton Schools in 2021/22 has seen a significant shift in funding towards deprivation and prior attainment factors. As a result, many schools in deprived areas have gained per pupil uplifts higher than +2% with some gaining up to +8.2% per pupil compared to 2020/21 per pupil values.

School Deficit Balances

- 12.8 Sefton maintained primary schools have an overall forecast surplus balance at the end of 2020/21 of £7.7m.
- 12.9 The six maintained secondary schools are forecast to have a combined 2020/21 forecast deficit balance of £1.6m. Four schools are reporting deficit balances and are operating under a Licensed Deficit Budget in 2020/21, which will continue into 2021/22. Each school has a robust budget recovery plan which in the first instance must demonstrate how the annual budget will be brought back into balance as soon as possible and in future years' how any accumulated deficit balance will be repaid to the Council. Licensed deficit budgets must be signed off by the Council's Section 151 Officer and Statutory Director of Children's Services (DCS).

Early Years Block

- 12.10 Early Years funding was announced in December 2020 and will be £17.860m in 2021/22. There is a small uplift in the 2021/22 national hourly base rate funding allocation, which for Sefton will mean an increase to £4.44 per hour (£4.38 in 2020/21) for Three- and Four-Year-Old Childcare; and for Two-Year-Old Childcare, an increase to £5.38 per hour (£5.30 in 2020/21). The DfE has promised to support LA s at 85% of expected census levels where the January 2021 Headcount falls below expected/usual levels due to Covid.

High Needs Block

- 12.11 Sefton's High Needs funding allocation for 2021/22 has increased by £3.481m compared to 2020/21. In addition, a further £0.642m has been added to support the transfer of Teachers Pay and Pension Grant funding for Special Schools into the HN Block. School Forum has voted to transfer 0.25% (£0.430m) from the Schools Block targeting funding towards supporting the most inclusive schools and to assist with the significant budget pressure that is being experienced in the High Needs Budget.
- 12.12 Sefton's High Needs budget is facing severe cost pressure and is currently forecast to overspend by £3.2m in 2020/21. The 2014 SEND reforms, while rightly raising expectations and extending support from birth to 25 years, did not initially come with enough increases in funding to reflect the increased cohort and complexity of children and young people. Funding increases in the last two years are therefore playing "catch up" with the increased levels of expenditure. Significantly local authorities were never funded to meet their expanded duties towards 19-25-year olds.
- 12.13 The DfE require all local authorities who report a deficit in excess of 1% of their overall DSG annual allocation to prepare a recovery plan setting out how going forward the budget will be brought back into a balanced position and re-pay the accumulative deficit. There is a High Needs Improvement Programme which is seeking to develop – through engagement and consultation with all stakeholders – a sustainable budget going forward.

Central School Services Block

- 12.14 The Central School Services Block (CSSB) is funding of £1.174m in 2021/22 given to cover ongoing historic costs and centrally retained DSG. The historic costs include the running of the Professional Development Centre; Grounds Maintenance and mothballing costs for former closed schools and centrally retained DSG services include Free School Meals checking; School Licences; School admissions; and former Education Services Grant (ESG) which funded the education statutory duties of the Local Authority.
- 12.15 Since 2019/20 the funding to support historic costs is being reduced by 20% each year by the DfE and there is an expectation that local authorities will find alternative ways of funding these activities or cease providing such activities. Sefton is currently challenging the DfE over an error in the “historic” funding baseline value which has meant that more funding has been taken from the CSSB over the last two years than expected.

13. Other Government Grant Notifications 2021/22

- 13.1 The Government have announced grant notifications for 2021/22 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.

Independent Living Fund

- 13.2 The indicative allocation for the 2021/22 Independent Living Fund grant has yet to be announced. The 2020/21 allocation was £2.107m. It is proposed that the 2021/22 allocation will continue to be allocated to appropriate Adult Social Care budgets.

Lead Local Flood Authorities Grant

- 13.3 The Local Government Financial Settlement provides the majority of funding to Lead Local Flood Authorities to carry out their duties under the Flood and Water Management Act 2010, and for their role as statutory consultee on surface water for major development (i.e. they no longer receive a separate grant from Defra).

- 13.4 This funding was previously supplemented by a separate section 31 grant which made good the Government’s commitment to protect the level of funding in real terms throughout the previous Parliament. It is yet to be announced whether the section 31 grant element of the funding will continue in 2021/22. Sefton’s Grant was £0.011m in 2020/21. It is proposed that if this grant continues to be paid in 2020/21 it continues to be allocated to the appropriate Flood Defence budget.

Homelessness Prevention Grant

- 13.5 The government have announced a new grant to support homelessness in 2021/22, the Homelessness Prevention Grant. This combines two grants previously received, the Flexible Homelessness Support Grant and the Homelessness Prevention Grant. The indicative allocation for 2021/22 is £0.536m. The 2020/21 allocations for the previous grants were £0.363m in total. It is proposed that the 2021/22 allocation will continue to be allocated to appropriate Homelessness budgets.

14. Summary of Budget Proposals for 2021/22

14.1 As a result of the information contained within this report the bridging of the 2021/22 funding gap is shown as follows:

	2021/22
	£'m
Revised MTFP Funding Gap	8.887
Potential Budget Options	-6.626
Potential Additions to the Budget	4.780
Revised MTFP Funding Gap – excluding Council Tax	6.741
Council Tax – Core increase (TBC%)	TBC
Adult Social Care Precept (TBC%)	TBC

A summary of the budget for 2021/22 is shown at Appendix B (note that for illustrative purposes this assumes a Council Tax increase of 4.99% in 2021/22).

15. Precepts

a. Police & Crime Commissioner and Fire & Rescue Precepts

The Police and Crime Commissioner is due to set a budget / precept for 2021/22 on 23 February 2021. The Fire and Rescue Authority is due to set its budget / precept for 2021/22 on 25 February 2021.

	Precept			Band C		
	2020/21	2021/22	Change	2020/21	2021/22	Change
	£	£	£	£	£	%
Police	17,997,190	TBC	TBC	188.42	TBC	TBC
Fire	6,826,314	TBC	TBC	71.47	TBC	TBC

The approved 2021/22 figures will be reported at Budget Council.

b. LCR Mayoral Precept

To be able to deliver the Mayor's key priorities in 2021/22 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 22 January 2021.

	Precept			Band C		
	2020/21	2021/22	Change	2020/21	2021/22	Change
	£	£	£	£	£	%
Mayoral	1,613,184	TBC	TBC	16.89	16.89	0.00

The approved 2021/22 figures will be reported at Budget Council.

c. Parishes

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

	Precept			Band C		
	2020/21	2021/22	Change	2020/21	2021/22	Change
	£	£	£	£	£	%
Aintree Village	153,196	TBC	TBC	65.56	TBC	TBC
Formby	91,689	TBC	TBC	8.85	TBC	TBC
Hightown	9,000	TBC	TBC	9.16	TBC	TBC
Ince Blundell	2,400	TBC	TBC	12.52	TBC	TBC
Little Altcar	3,319	TBC	TBC	8.85	TBC	TBC
Lydiate	166,002	TBC	TBC	71.22	TBC	TBC
Maghull	701,280	TBC	TBC	92.12	TBC	TBC
Melling	36,050	TBC	TBC	31.58	TBC	TBC
Sefton	10,000	TBC	TBC	37.48	TBC	TBC
Thornton	6,000	TBC	TBC	6.76	TBC	TBC
	1,178,936	TBC				

The approved 2021/22 figures will be reported at Budget Council.

16. Recommended Council Tax for 2021/22

Council are recommended to approve the Budget for 2021/22, as set out in the main report.

The recommended overall Band C Council Tax to be raised for 2021/22 (excluding Parish Precepts) is as follows: -

	2020/21	2021/22	Increase
	£	£	%
Sefton	1,451.58	TBC	TBC
Police & Crime Commissioner	188.42	TBC	TBC
Fire & Rescue Authority	71.47	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	1,728.36	TBC	TBC

The recommended Council Tax for 2021/22 will be reported to Budget Council

17. Capital Programme 2021/22 to 2022/23

- 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 C, in addition to the proposed use of the Better Care Fund and all other schemes in the Capital Programme.
- 17.2 The Capital Programme shown at Appendix C also includes the following schemes that have not previously been approved by Council:

Street Lighting Asset Project

Sefton Council made a Climate Emergency Declaration in July 2019 which has led to the development of Sefton's Climate Change Emergency Plan and associated Action Plan. These seek to reduce Sefton Council's carbon emissions to net zero by 2030. The Council also wants to reduce energy costs as part of good financial management. The energy used by Street Lighting accounts for 26% of the Council's total carbon footprint and these energy costs are increasing year-on-year at a rate above inflation incurring a significant cost to the Council. The Urban Traffic Control (UTC) Asset also requires upgrading to LED and will reduce energy consumption. In relation to climate change the energy used accounts for a significant portion of the carbon emissions that the Council wants to reduce.

The business case elsewhere on the Cabinet / Council agenda seeks approval to invest £12.750m (prudential borrowing) in the Street Lighting Asset Project to improve the portfolio through the installation of LED technology and replacement of life expired assets. The programme will generate significant operational cost savings of £24m (after repayment of the loan) over 20 years against current forecast expenditure without intervention.

Crosby Marine Lake – Phase One

Phase one of proposals to restore the lake will be to repair and upgrade the existing pumping station and accommodating works to remove wind-blown sand from adjacent footpaths and areas. A supplementary capital estimate of £0.155m is required for this project to be funded from Council resources.

Litherland Sports Park – Improvement to Facilities

Litherland Sports Park is an important part of the Council's playing pitch strategy and at present needs some major investment. A scheme has been developed to resurface and upgrade the pitch, as well as upgrade the existing lighting to LED.

The estimated cost of this scheme is £0.250m to be funded from previously released earmarked reserves. This allocation of reserves has been approved, under delegated authority, following the identification of reserves no longer required for their intended purpose. This review of earmarked reserves was

reported to Cabinet on 5 December 2019. A supplementary capital estimate of £0.250m is required to be funded from earmarked reserves.

Bootle Golf Driving Range

In February 2020 £0.256m of capital funding was approved by Council on an invest to save basis for the construction of a new golf driving range at Bootle Golf Course. This was based on a business case developed for the two municipal golf courses in Sefton. Following this approval, work has been ongoing during 2020 developing the design of the first range at Bootle Golf Course. Site surveys have been undertaken and planning has been approved.

The overall project costs have now increased since the original business case was submitted due to unforeseen site survey and outfield remediation costs. Building costs in 2020 have also increased significantly due to the effects of Covid-19 and increased building material costs. These were unforeseen circumstances and the design has been revised to minimise these additional costs as much as possible through value engineering.

To take this project forward however, will require an additional £0.164m of funding to complete the driving range in 2021. A supplementary capital estimate is required, funded from borrowing on an invest to save basis. Provision for the repayment costs for this capital investment will be contained within the business model for the driving ranges.

Brownfield Fund for Housing Development

As part of the March 2020 Budget the Government launched a £400m Brownfield Land Fund (BLF) to be distributed to Combined Authority areas. The Liverpool City Region has received £45m which will be allocated over a five-year period.

The Council, through its Housing Development Company Sandway Homes Limited, has bid for BLF grant to help bring forward a housing development in Netherton. This amounts to £1.050m. Discussions are ongoing but subject to confirmation, and following receipt by the Council, this will be transferred to Sandway Homes Limited to complete the works in accordance with the grant funding agreement. The Council is therefore the accountable body and a supplementary capital estimate of £1.050m is required to support this, which is fully funded by the external grant (subject to final confirmation).

Within the grant agreement there is the provision for clawback should the site not progress as intended. In the unlikely event that the Council decided to cease development of this element of the programme then the Council would be liable for the clawback of funds received.

List of Appendices

- A Individual School Budgets 2021/22
- B Draft Council Budget Summary 2021/22
- C Capital Programme 2021/22 - 2022/23