

Report to:	Cabinet Council	Date of Meeting:	10 February 2022 3 March 2022
Subject:	Revenue and Capital Budget Plan 2022/23 – 2024/25 and Council Tax 2022/23		
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 2022/23 Budget Plan and preparation for the additional two-year budget period 2023/24 to 2024/25.
- An update on the Government’s announcement of resources that are available to the Council for 2022/23.
- The Council’s current financial position and the assumptions built into the Medium-Term Financial Plan.
- The proposed Budget for 2022/23; and,
- The proposed Capital Programme for 2022/23.

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 2022/23 to 2024/25.
2. Recommend to Council the Budget Plan for 2022/23, including the Revenue Budget, allocation of specific grants (section 12), 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 11); 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 about contractual and policy changes.

Council is recommended to:

Budget 2022/23 and Medium-Term Financial Plan from 2023/24 to 2024/25

1. Note the update of the Medium-Term Financial Plan for the period 2022/23 to 2024/25.
2. Approve the Revenue Budget for 2022/23 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. Note that officers will comply with agreed HR policies and procedures including relevant consultation with Trade Unions and reports to the Cabinet Member (Regulatory, Compliance & Corporate Services) as required.
5. Note the Schools' Forum decisions on the Dedicated Schools Grant and Individual School Budgets (Section 11).
6. Approve the allocation of specific grants as detailed in the report, including a fully funded supplementary revenue estimate of up to £3.030m for the Leeds Family Valued Programme across 2021/22 to 2023/24 (Section 12).
7. Subject to the recommendations above, approve the overall Council Tax resolution for 2022/23 including Police, Fire, Mayoral and Parish Precepts.

Capital Programme 2022/23 to 2024/25

1. Approve for inclusion within the Capital Programme the full list of projects in Appendix C.
2. Approve a supplementary capital estimate of £29,378 for 2021/22, funded from earmarked reserves (Paragraph 16.2).

Procurement of External Audit Services

1. Approve that the Council procure external audit services through the Public Sector Audit Appointments body for the period 2023/24 to 2027/28 (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 2022/23 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 2022. In the course of considering each of the individual proposals / projects, detailed consideration should also be given to the legal, human rights and equality implications. Such consideration will also need to be evidenced to ensure that the Council's decision-making processes are transparent.

Equality Implications:

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

Climate Emergency Implications:

The recommendations within this report will

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

The allocations of capital funding outlined in Appendix C 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 Heads of Service, and will continue to do so.

The Executive Director of Corporate Resources and Customer Services (FD6686/22) is the joint author of the report and the Chief Legal and Democratic Officer (LD4886/22) 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 2022/23. 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 3 March 2022.

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Appendices:

The following appendices are attached to this report:

- A. Individual School Budgets 2022/23
- B. Draft Council Budget Summary 2022/23
- C. Capital Programme 2022/23 – 2023/24

Background Papers:

Financial Management 2021/22 to 2024/25 and Framework for Change 2020 – Medium Term Financial Plan 2022/23 to 2024/25– Report to Cabinet and Council – 4 and 18 November 2021

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 2022/23 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 2023/24 to 2024/25. In doing so the report presents the proposed budget for 2022/23.
- 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 and 2021/22 with the COVID-19 pandemic having had a massive impact on local authority finances. Although funding has been made available by the government to help councils respond to the pandemic and mitigate the income losses they have incurred, the pandemic has only added to the level of financial stress local authorities are experiencing and this will continue for some time. 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 and 2021/22 will continue to some degree into 2022/23 and beyond and is a significant threat to the financial sustainability of local authorities and the ability to meet the requirements of local residents in the absence of continued central government support.

- 2.6. In the last four years there has been some, what was originally temporary, funding allocated by Central Government to councils in addition to core funding to assist with the pressures being experienced across the sector, especially in adult social care. These short-term funding initiatives, whilst welcome, do not meet the spending pressures that local authorities, including Sefton, are experiencing; nor did they make it possible for councils to effectively plan over the short and medium term. Although originally provided as temporary funding, the Government have continued to allocate this funding in all settlements to date, giving the impression that this funding is now permanent. However, despite this funding, local government continues to be underfunded, with key services that affect the most vulnerable in society not being sustainably supported.
- 2.7. The Comprehensive Spending Review 2021, published on 27 October 2021, contained a number of announcements relating to overall local government funding for 2022/23 to 2024/25. The Provisional Local Government Finance Settlement for 2022/23, announced on 16 December 2021, gave more detail on the impact of these announcements on Sefton (see paragraphs 4.4 to 4.19). However, whilst the Comprehensive Spending Review covered 2022/23 to 2024/25, the Provisional Settlement only covered 2022/23. The detail for 2023/24 and 2024/25 is only expected to be known when the Provisional Settlements are announced in the December prior to each year. Members will recall that in the budget report for 2021/22 it was stated that if it received a three-year financial settlement that the Council would wish to return to multi-year budgeting to support financial sustainability. Whilst only a one-year Settlement has been announced it is still vital that the Council considers a three-year Budget Plan.
- 2.8. In addition, there are two significant changes to local government funding that were originally expected to be introduced from April 2021 relating to the Review of Relative Needs and Resources (formerly the Fair Funding Review) and the introduction of 75% Business Rates Retention for all local authorities. When announcing the Provisional Settlement, the Secretary of State for Levelling Up, Housing and Communities stated that “*Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources*” and “*Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes*”. Therefore, it is assumed that the Review of Relative Needs and Resources will be completed in time to be used in allocating funding for 2023/24 onwards. However, the Government announced in November 2021 that it had abandoned plans for the introduction of 75% Business Rates Retention for all local authorities, although the impact of this for Pilot authorities will be assessed as part of the Review of Relative Needs and Resources. As with previous years these are explained below for Members consideration:

Review of Relative Needs and Resources (formerly the Fair Funding Review):

- 2.9. 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.

- 2.10. 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. The potential implications for Sefton are discussed later in the report (paragraphs 5.18 to 5.22).
- 2.11. The Government will continue to consult with local authorities as well as be influenced by discussions within a number of joint working groups between the Department of Levelling Up, Housing and Communities 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:

- 2.12. 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.
- 2.13. As part of the Review of Relative Needs and Resources, the Business Rates baseline will be re-assessed and changed. Therefore, the benefit of these gains is expected to be lost going forward.
- 2.14. As mentioned above, nationally the proportion of Business Rates retained by local authorities will now remain at 50%. It is expected that pilot authorities will also move to 50% retention so a lower proportion (49%) of any future growth will be retained by the Council.
- 2.15. As stated, these two changes have now been deferred to April 2023 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 2022/23. The Local Government Association has argued that no council should see a reduction in its funding as a result of the changes. However, given that no additional funding is proposed for 2023/24 or 2024/25 it seems unlikely that this will be the case; inevitably there will be winners and losers. As explained in paragraphs 5.18 to 5.22, Sefton is expected to lose funding due to these changes. In addition, the Local Government Association have stated that due to no additional government funding being proposed for 2023/24 or 2024/25, there will be a funding gap of over £1bn by 2024/25 just to keep services at their 2019/20 level of quality and access.
- 2.16. This scenario means that medium term financial planning beyond 2022/23 is incredibly difficult and does not support sustainable financial management nor service planning. The recent financial settlement provides the Council with confirmation of the funding that will be available in the next financial year, but due to the potential one off nature of this funding and no visibility or understanding of the changes that will come through the Review of Relative Needs and Resources and the impact of COVID-19 on the nation's economy, developing a reasonable estimate of the Council's financial envelope for the latter two years of the MTFP is challenging.

- 2.17. 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 12 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, 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.
- 2.18. 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, 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.
- 2.19. 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 2023/24 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 a 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 a significant 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. Recent Budget Reports have highlighted that the Framework for Change Programme has 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 deliver financial sustainability.
- 3.5. The Framework for Change Programme 2020 is built on three workstreams / pillars, namely Public Sector Reform, Growth and Strategic Investment.

Public Sector Reform

Council of 2023

- 3.6. 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.
- 3.7. 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.
- 3.8. Specifically, this project has four workstreams, the detail of which was originally provided in the 2020/21 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

- 3.9. 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 2021/22 budget included additional contributions to these areas of around £12m which reflects an ever-increasing demand. Significant increases in these budgets are also proposed for 2022/23.
- 3.10. 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 provides value for money, 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.
- 3.11. 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.
- 3.12. 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.
- 3.13. This will be done through:
 - Safely and sustainably managing and reducing demand for Council services where it is appropriate to do so.
 - 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.

- 3.14. 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

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

- 3.15. During the Framework for Change Programme the Growth and Strategic Investment pillars have been developed and have now moved on to the delivery stage.
- 3.16. The Programme is being delivered within a set of themes which include:
- Town Centre Regeneration for example through the Southport Town deal.
 - Large Employment Sites.
 - Strategic Transport Schemes.
 - Coast Access Gateways.
 - Industry sector development.
 - Housing.
 - Employment and Skills, and
 - Investment
- 3.17. The Programme will also include "Invest to Save" schemes whereby capital investment directly reduces or removes a service cost to the Council.
- 3.18. The Programme is underpinned by a number of strategic initiatives which include:
- The Asset Management Strategy and Asset 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 2022/23 – 2024/25

- 4.1 As discussed previously within the report, 2022/23 is the first year of the Council's new financial strategy period. Council, on 18 November 2021, approved an

updated Medium-Term Financial Plan (MTFP) for the period 2022/23 – 2024/25, including the assumptions made.

- 4.2 As part of this budget setting cycle, each key element of the MTFP has been reviewed, namely: -
- Initial key MTFP assumptions including non-recurring savings.
 - Other MTFP changes.
 - The implications of the Provisional Local Government Finance Settlement for 2022/23; and,
 - Growth Items.
- 4.3 In addition, there is still the ongoing impact of COVID-19 on the Council's budget for 2022/23. The impact of COVID-19 on some areas of the Council's budget are therefore considered separately in section 8.
- 4.4 The following sections of the report consider the Council's normal budget and detail each element of the MTFP in turn.

Initial Key MTFP Updated Assumptions

- 4.5 Within this MTFP, there are a number of initial key assumptions that will impact upon the funding gap facing the Council in the period 2022/23 to 2024/25 as well as a number of other budget changes. These are set out as follows:

Housing Benefit / Council Tax Admin Subsidy

- 4.6 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 will continue in future years with an estimated reduction of **£0.050m** a year.

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

- 4.7 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. This includes £2.000m for provider fee increases within Adult Social Care.

Levy Increases

- 4.8 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. A provision has been included for the potential costs of increases in these levies in each of the three years (**£0.700m per year**). Sefton has received notification of provisional figures for 2022/23 in December 2021 and these can be contained within the estimate for 2022/23.

Non-Recurring Items

- 4.9 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.

2020 Local Government Pension Scheme Valuation

- 4.10 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 was £6.840m across the three years, with **£0.600m** relating to 2022/23.
- 4.11 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 only.

Crosby Lakeside Adventure Centre

- 4.12 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 saved £0.110m in 2021/22 and will save a further **£0.100m** in 2022/23.

Council Tax / Business Rates Income

- 4.13 The 2021/22 Budget Report outlined the impact on the 2021/22 budget of expected reductions in Council Tax and Business Rates, both during 2020/21 and 2021/22. 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 (£3.600m for Council Tax and £3.000m for Business Rates), assuming no additional government support would be made available to offset these losses. 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.

Initial MTFP Position 2022/23 to 2024/25

- 4.14 Based upon the revisions relating to MTFP assumptions it was initially estimated that the funding shortfall between 2022/23 and 2024/25 would be **£26.600m**, before any consideration of general government funding, existing service pressures and any other additional 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:

	2022/23	2023/24	2024/25
	£'m	£'m	£'m
Government Funding:			
- Housing Benefit / Council Tax Admin Subsidy	0.050	0.050	0.050
	0.050	0.050	0.050
Key MTFP updated assumptions:			
- Provision for Pay Inflation	3.250	3.250	3.250
- Provision for Pension Increases	0.600	0.600	0.600
- Provision for Inflation on Contracts	0.100	0.100	0.100
- Assumed increase in Care Provider costs re. Adult Social Care	2.000	2.000	2.000

- Levy increases	0.700	0.700	0.700
	6.650	6.650	6.650
Non-Recurring Items	0.200	0.200	0.200
Budget Changes:			
- 2020 Local Government Pension Scheme Valuation	-0.600	0.000	0.000
- Prepayment of Pension Contributions	-1.300	1.300	0.000
- Crosby Lakeside	-0.100	0.000	0.000
	-2.000	1.300	0.000
Revised MTFP Funding Gap	4.900	8.200	6.900
Council Tax / Business Rates – Potential Loss of Income	6.600	0.000	0.000
Initial MTFP Funding Gap – excluding Council Tax	11.500	8.200	6.900
Total Initial MTFP Funding Gap			26.600

Other MTFP Changes 2022/23 – 2024/25

Council Tax Base – additional properties

- 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 and the value of exemptions and discounts. For forecasting purposes, it has been assumed that there will be growth in the Tax Base for additional properties that would generate **£0.700m** in 2022/23 and **£0.500m** in each of 2023/24 and 2024/25.

Business Rates Losses

- 4.16 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, at the time of the Budget Report there were significant numbers of appeals in 2020/21 due to restrictions being in place. It was estimated that based on the 2020/21 position that £3.000m of the Council's income would be at risk as businesses no longer exist or cannot afford to pay business rates.
- 4.17 However, central government have announced that appeals relating to the implications of COVID-19 won't be allowed under amended regulations. Therefore, it is forecast that the income now at risk is only £1.600m. Therefore, the estimate of income at risk has been reduced by **£1.400m**. It is currently assumed that this will be a permanent reduction in income for the period of the three-year Budget Plan, although this will continue to be reviewed.

Council Tax losses

- 4.18 The Council Tax Base is set by Council in January each year. Due to the impact of COVID-19 on the number of Council Tax Reduction Scheme (CTRS) claimants, the reduced collection rate and the slowdown in housing growth, there was been a

significant reduction in the Base for 2021/22. This reduced the Council Tax Requirement by approximately £3.600m.

- 4.19 It is currently assumed that this reduced income will unwind across the three-year Budget Plan period as the number of CTRS cases reduces and collection rates increase to levels experienced before the pandemic. Therefore, the Council Tax Base is forecast to result in increased income (excluding housing growth) of **£1.600m** in 2022/23 and **£1.000m** in each of 2023/24 and 2024/25.

Framework for Change 2020 – Demand Management Savings

- 4.20 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. The Demand Management Programme is described in paragraphs 3.10 to 3.15.

- 4.21 From the initial work of the Adult Social Care workstream, savings of £3.300m were identified in 2020/21, which were built into the Base Budget for 2021/22. The continuing work of the Adult Social Care workstream has identified further savings of **£3.800m**, which partly relates to the full year impact of previously implemented savings, as well as new savings that have been identified. The currently identified savings include reassessments and reviews for all service types, including joint funded care, supported living arrangements and the development of single-handed care. These savings are considered to be permanent at this stage, although will be phased in across two years, but will continue to be reviewed as part of the Demand Management Project.

Pay Award 2021/22

- 4.22 When the 2021/22 Budget was set, the Spending Review 2020 had announced that there would be a pay freeze for the majority of areas in the public sector, including local government with only staff paid less than £24,000 receiving a pay award of at least £250. The Council's provision for pay inflation was therefore reduced accordingly. However, the pay award offered to local government staff is currently 1.75% but has yet to be finalised. At this stage it is considered prudent to increase the provision back to the level previously included in the 2021/22 MTFP, pending finalisation of the pay award; this will add **£2.650m** to the budget in 2022/23.

Pay Award Provision

- 4.23 It is now considered that the provision for pay awards included in the original MTFP forecasts can be reduced for 2023/24 and 2024/25 given the level of forecast inflation and previous pay awards. This reduces the provision by **£0.650m** in those two years of the Budget Plan.

National Insurance Contributions Increase

- 4.24 In September 2021, the Government announced the introduction of a new Health and Social Care Levy of 1.25%, based on National Insurance Contributions, for both employees and employers. They announced that this funding would be ringfenced for health and social care. This will be introduced from April 2022 as an increase in National Insurance Contributions before being separated out as a new distinct Levy from April 2023. The cost of this for Sefton as an employer is anticipated to be in the region of **£1.250m**. The Government also announced that for the public sector, including local authorities, the impact would be neutral as funding would be provided. Therefore, the additional resources provided within the Local Government Finance Settlement for 2022/23 are to fund this increased cost, although no

exemplification has been made to detail what additional funding has been provided for this additional spending pressure.

Net Council Tax / Business Rates Surplus

- 4.25 The current forecast for the surplus that has been generated in 2021/22 is a net figure of **£2.892m**. Given this is a one-off surplus that will be credited to the Council's budget in 2022/23, this amount will be added to General Balances to ensure they are appropriate for an authority of Sefton's size and risk profile. This also enables the annual contribution, currently included in the base budget, to be taken from the budget to generate a permanent saving for the Council. This is discussed further in the next section.

Contribution to General Fund Balances

- 4.26 The 2020/21 Budget Report highlighted that Council had maintained a relatively stable level of General Fund Balances in previous years, equating to 3.5% of the Council's net revenue budget. However, the CIPFA resilience index had identified that Sefton had a level of General Fund Balances that placed it at a high level of risk in terms of financial stress. From the CIPFA analysis it was suggested that a minimum reserves level of 5.0% would be appropriate for the Council, taking into account normal and local risks. It was therefore considered prudent to increase balances so that they equated to 5.0% of the net revenue budget by 2022/23 – a strategy to increase reserves by £1.500m per year was therefore put in place.
- 4.27 The 2021/22 Robustness Report highlighted that there was a higher level of risk due to the uncertainties around the pandemic and its impact on the Council's financial position. Therefore, a revised position of 7% was proposed. However, given some of these risks have now reduced, and some of the financial implications have been built into the updated MTFP, a revised position of 6.5% is now considered prudent. This equates to about £15.6m. A range of £1.0m is advised around this figure so General Fund balances between £14.6m and £16.6m would be considered prudent.
- 4.28 The Council's balances at the end of 2020/21 were £11.278m which is £2.794m more than forecast due an underspend in 2020/21. At the end of 2021/22, balances are forecast to be £12.778m including the budgeted increase of £1.500m. Paragraph 4.25 explains that the net Council Tax / Business Rates surplus declared for 2022/23 of £2.892m will also be added to General Balances. This would therefore increase balances to £15.670m during 2022/23. General Balances will be in line with the level required to mitigate the risks that a Council of Sefton's size faces. Therefore, the planned contribution to balances of **£1.500m** in 2022/23 and future years would no longer be required and can be taken from the budget.

Contribution to School Closure Reserve

- 4.29 The 2020/21 base budget included 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 have resulted in the reserve standing at £1.500m. However, it was estimated that a maximum of £1.000m was considered prudent at that time so £0.500m was utilised to temporarily support the one-off budget pressures resulting from COVID-19.
- 4.30 The 2022/23 MTFP includes the contribution of £0.750m to the reserve. This will result in the reserve standing at £1.750m at the end of 2022/23. This is considered

prudent given the risks the Council might face relating to potential deficits. Therefore, the planned contribution to balances of **£0.750m** in 2023/24 would no longer be required and can be taken from the budget.

Income from the Strand Shopping Centre

- 4.31 The 2021/22 Budget Report highlighted that since the purchase of the Strand, surplus income of over £1.000m had been raised which has been used to support the Council's budget, and indeed the shopping centre had made a positive financial return each year. However, due to the significant impact of COVID-19 on retail businesses it was expected that there would be a reduction in income in 2021/22 as businesses close and others experience difficult trading conditions. The forecast was that losses of £1.700m would be experienced in 2021/22, and this was the figure included in the Base Budget for 2021/22. However, it was highlighted that this could be the subject of change depending on economic conditions, the timing of any further restrictions as a result of the pandemic and the resulting circumstances for individual tenants. At this stage, this is still the current forecast for 2021/22.
- 4.32 The current business case forecasts that this income loss will reduce by **£1.200m** in 2022/23 but will increase again by **£0.300m** in 2023/24. As would be expected these figures will be the subject of change and updates will be provided to Cabinet when required.

Sandway Homes Dividend – Phase One

- 4.33 The current Business Case for Sandway Homes forecasts that there will be a surplus of £1.350m once Phase One of its development programme has been completed. This was reported to Cabinet in October 2021. Therefore, a dividend of **£1.350m** will be paid to the Council on completion of Phase One, expected to be received in 2024/25. In addition, the report noted that the peak debt of the company was forecast to be £8.3m at the end of 2021/22 but this would reduce to £3.7m by the end of 2022/23.

Glass Recycling Saving

- 4.34 The budget approved for 2020/21 included additional investment on a number of initiatives relating to the Cleansing Service. An element of this investment was to have been funded from the net savings that would be achieved by the introduction of a separate glass recycling collection. As there are potential legislative changes relating to recycling, this proposal has yet to be progressed. It is therefore considered prudent to take the net saving from the budget pending clarity on any legislative changes; this will add **£0.240m** to the budget.

Framework for Change 2020 – Council of 2023 Savings

- 4.35 The Council had identified savings of **£0.890m** which could be achieved through new ways of working. This included 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.
- 4.36 These savings were built into the 2021/22 Base Budget to offset the temporary costs relating to the pandemic. The savings can now be built into the 2022/23 budget to support the Council's ongoing position.

Revised MTFP Position 2022/23 to 2024/25

- 4.37 Based upon the revisions relating to updated MTFP assumptions it is now estimated that the funding shortfall between 2022/23 and 2024/25 will be **£13.550m**, before any Council Tax decisions are made, any funding changes and any additional service delivery options are considered. A detailed analysis is shown below:

	2022/23	2023/24	2024/25
	£'m	£'m	£'m
Initial MTFP Funding Gap – excluding Council Tax	11.500	8.200	6.900
Other MTFP Changes:			
- Council Tax Base – additional properties	-0.700	-0.500	-0.500
- Business Rates Losses	-1.400	0.000	0.000
- Council Tax losses	-1.600	-1.000	-1.000
- Demand Management Savings	-2.800	-1.000	0.000
- Pay Award 2021/22	2.650	0.000	0.000
- Pay Award Provision	0.000	-0.650	-0.650
- National Insurance Contributions Increase	1.250	0.000	0.000
- Contribution to General Fund Balances	-1.500	0.000	0.000
- Contribution to School Closure Reserve	0.000	-0.750	0.000
- Income from the Strand Shopping Centre	-1.200	0.300	0.000
- Sandway Homes Dividend – Phase One	0.000	0.000	-1.350
- Glass Recycling saving	0.240	0.000	0.000
- Council of 2023 Savings	-0.890	0.000	0.000
	-5.950	-3.600	-3.500
Revised MTFP Funding Gap	5.550	4.600	3.400
Total Revised MTFP Funding Gap			13.550

5. Local Government Finance Settlement 2022/23 and Spending Review 2021

- 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 2022/23 was announced on 16 December 2021. This confirmed, and provided more detail on, a number of

funding announcements made in the 2021 Comprehensive Spending Review announced on 27 October 2021, and these are detailed from paragraph 5.4.

- 5.3 As previously mentioned, this Settlement is for one year only, and as such makes it difficult to forecast the funding the Council is likely to receive in 2023/24 to 2024/25. However, it should be noted that the overall funding for local government included in the Comprehensive Spending Review, excluding the new burdens funding for Adult Social Care Reform and potential increases in Council Tax income, showed no increase in 2023/24 and 2024/25. Therefore, all of the additional funding for local government overall for the CSR period has been provided in 2022/23.

Social Care Grant

- 5.4 In 2021/22, the Government provided £1,710m of Social Care Grant funding which was distributed using the Adult Social Care Relative Needs Formula. Sefton's allocation was £11.820m. As outlined in paragraph 2.6, it was unknown whether this represented short-term additional funding. The Settlement has confirmed that this funding would continue to be paid in 2022/23.

- 5.5 The Settlement also announced that an additional £636.4m of Social Care Grant would be paid to local authorities in 2022/23. Of this, the Government proposes to distribute £556.4m using the Adult Social Care Relative Needs Formula, with the remaining £80m 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 **£4.265m**.

- 5.6 In addition, local authorities have been given the power raise Council Tax by a further 1% 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 £300m nationally as part of the £1bn funding announced as being available for social care. This is discussed further in section 10.

Market Sustainability and Fair Cost of Care Fund

- 5.7 As part of the Government's plan for health and social care, published on 7 September 2021, it was announced that £5.4bn would be made available over the Spending Review period for Adult Social Care.

- 5.8 The 2021 Spending Review confirmed that £3.6bn of this will be routed through local authorities in order to *"implement the charging reforms and support local authorities to better sustain their local care market by moving towards a fairer cost for care"*. This is made up of £0.2bn in 2022/23, £1.4bn in 2023/24 and £2.0bn in 2024/25.

- 5.9 The Settlement announced that the initial £162m in 2022/23 would be made available to local authorities as an allocation of a new Market Sustainability and Fair Cost of Care Fund. The funding should be used to conduct a cost of care exercise, engage with local providers to better understand reform on the local market and strengthen capacity for greater market oversight and improved market management as well as increasing fee rates according to local circumstances. Sefton's allocation is **£1.029m**. It is proposed to allocate this funding directly for these purposes in line with Government guidelines (see paragraph 6.6).

- 5.10 The Government has announced that this funding will increase to £600m in 2023/24 and 2024/25 and that they will work closely with local government to determine appropriate grant conditions, national guidance and distribution mechanisms for funding allocations. Allocations of this further government funding will be based on councils evidencing that work has been undertaken, including market engagement, and submissions are required to be sent to Central Government by September 2022. This funding is therefore being treated as one-off until such time as additional information is made available.
- 5.11 Based on the figures announced in the Spending Review, this would therefore mean that an additional £800m would be available in 2023/24 to support the charging reforms announced in September 2021, which would increase to £1.4bn in 2024/25. No additional information has been given on the allocations of these for local authorities, however some commentators have suggested that the funding may not be sufficient to fund the potential increases in costs.

Services Grant

- 5.12 The Settlement provided details of a new Services Grant, worth £822m nationally, is to be paid in 2022/23 to local authorities and which is being distributed based on the 2013/14 shares of the Settlement Funding Assessment. The grant includes funding to cover the cost of increased employer national insurance contributions resulting from the health and social care levy which are ongoing. Sefton's allocation of the grant is **£4.477m**.
- 5.13 The Government have announced that this is effectively a one-off grant to individual local authorities, although the overall funding will still be available to local government per the Spending Review. However, the grant will be excluded from any transitional protection arrangements in future years arising as a result of the Review of Relative Needs and Resources so the Council may receive a lower level of funding. It is proposed to treat this grant as ongoing and consider the impact of the Review of Relative Needs and Resources separately (see paragraph 5.18).

Public Health Grant

- 5.14 The Spending Review announced that funding for Public Health through the Public Health Grant would be maintained in real terms. However, no additional information has been received as to what additional funding will be made available. It is proposed that any increase in the 2022/23 allocation should continue to be allocated to the Public Health budget.

Lower Tier Services Grant

- 5.15 The Government announced a new unringfenced Lower Tier Services Grant in 2021/22, which allocated £111m to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). Sefton's allocation was £0.430m. This grant has continued into 2022/23 with Sefton's allocation increasing slightly by **£0.023m**.

New Homes Bonus

- 5.16 The Government will continue to make payments of New Homes Bonus in 2022/23. However, as expected, the main grant allocations for 2021/22 will not continue and the allocations relating to 2018/19 have now dropped out. However, Sefton achieved the Government's threshold for main payments for 2022/23 and will receive £0.735m relating to that year. However, this payment is for one year only.

In addition, the 2019/20 legacy payment will also drop out from 2023/24. It is currently estimated that only a small amount of New Homes Bonus will be received in 2023/24 and 2024/25 relating to affordable housing. Therefore, Sefton's allocation will increase by **£0.639m** in 2022/23 but is estimated to reduce by **£0.750m** in 2023/24. However, should the scheme not change, and Sefton again achieve the baseline target, then additional New Homes Bonus may be received.

Settlement Funding Assessment / Business Rates Baseline

- 5.17 To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2022/23. Local authorities will be fully compensated for this decision through additional Section 31 Grant. It is estimated that this will result in **£3.253m** of additional funding in 2022/23. In addition, the government announced that the Revenue Support Grant and Improved Better Care Fund will increase by in line with inflation which will result in an increase in the Council's Top-Up Grant of **£0.836m** in 2022/23.

Review of Relative Needs and Resources

- 5.18 As mentioned earlier, the Government is committed to reviewing the allocation of funding available to local authorities through the Review of Relative Needs and Resources. When announcing the Provisional Settlement, the Secretary of State for Levelling Up, Housing and Communities stated that "*Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources*" and "*Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes*". Therefore, it is assumed that the Review of Relative Needs and Resources will be completed in time to be used in allocating funding for 2023/24 onwards.
- 5.19 The Government also said that as part of the consultation they would look at options to support local authorities through transitional protection. Previously this has meant that any changes in funding have been phased in across a number of years. However, as mentioned above, the Services Grant won't be included in any transitional protection arrangements which potentially gives the opportunity to phase in changes more quickly.
- 5.20 As previously mentioned, Sefton's relative decline in population is likely to have a negative impact on the Council's overall funding position as part of the Review of Relative Needs and Resources. However, the exact impact is unknown as it will depend on the transitional arrangements put in place to protect those local authorities who would see a reduction in funding (the Local Government Association has argued that no council should see a reduction in its funding as a result of the changes). As mentioned in paragraph 5.3, the Spending Review indicates that, apart from funding for Adult Social Care Reform and additional income from Council Tax, there won't be any increases in funding for local government in 2023/24 or 2024/25. Without additional funding for local government some local authorities will therefore see reductions in their funding.
- 5.21 However, the outcome is even more complex due to the differential impact austerity had on individual local authorities. Those local authorities that had received the most Government funding received the largest reductions in spending power whilst those who could raise more Council Tax income were less impacted. Therefore,

the link between need and funding diverged, particularly in the early years of austerity, with the total spending power of two similar authorities now very different. This should also have an impact on the outcome of the Review and the funding being allocated. When announcing that 75% Business Rates Retention would no longer be proceeding, the Secretary of State for Levelling Up, Housing and Communities stated *“You have a situation where those local authorities that have the most resilient council tax base and also the highest portion of business rates are, relatively speaking, in a stronger position...”*.

- 5.22 At this stage it is considered prudent to assume that the Review will result in a reduction in funding for Sefton, and that this will be **£1.000m** in each of 2023/24 and 2024/25. This assumption will be revised in light of any information received as part of the consultation, with Members being informed immediately, although the exact details may not be known until the Settlement is announced for 2023/24 in December 2022.

Business Rates Retention:

- 5.23 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.
- 5.24 As part of the Review of Relative Needs and Resources, the Business Rates baseline will be re-assessed and changed. Therefore, the benefit of these gains is expected to be lost going forward. As stated above, it is assumed that this will take place in 2023/24. It is estimated that this reassessment could see the Council’s funding reduce by **£1.000m** in 2023/24, although any implications might be complicated by the outcome of the Review.
- 5.25 Also, as mentioned previously, nationally the proportion of Business Rates retained by local authorities will now remain at 50%. It is expected that pilot authorities will also move to 50% retention so a lower proportion (49%) of any future growth will be retained by the Council.

Other Implications for 2023/24 and 2024/25

- 5.26 As mentioned earlier, overall funding for local government included in the Comprehensive Spending Review, excluding the new burdens funding for Adult Social Care Reform and potential increases in Council Tax income, showed no increase in 2023/24 and 2024/25. Additional funding for Adult Social Care Reform is expected to be matched by additional costs relating to the new burdens introduced.
- 5.27 The Spending Review assumed that the Council Tax limits would be 2% for the Core increase with an additional 1% for the Adult Social Care Precept in each of 2023/24 and 2024/25. The Institute for Fiscal Studies have commented that without additional grant funding in those years the Government may need to revisit this to maintain current service levels, particularly within social care.
- 5.28 It should be noted that a 1% Adult Social Care Precept would generate about £1.400m, which is less than the amount currently assumed in 2023/24 and 2024/25 for provider fee increases. In addition, the Budget Plan for 2023/24 and 2024/25

assumes no further increase in Children’s Social Care costs. Any further pressure in these areas would therefore require the Council to make corresponding savings in those years or additional funding being made available.

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

	2022/23	2023/24	2024/25
	£'m	£'m	£'m
Government Funding:			
- Social Care Grant	-4.265	0.000	0.000
- Market Sustainability and Fair Cost of Care Fund	-1.029	1.029	0.000
- Services Grant	-4.477	0.000	0.000
- Public Health Grant	0.000	0.000	0.000
- Lower Tier Services Grant	-0.023	0.000	0.000
- New Homes Bonus	-0.639	0.750	0.000
- Settlement Funding Assessment / Business Rates Baseline	-4.089	0.000	0.000
- Review of Relative Needs and Resources	0.000	1.000	1.000
- Business Rates Retention	0.000	1.000	0.000
	-14.522	3.779	1.000

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:

Children’s Social Care

6.2 At the Cabinet meeting in September 2021, Members received a report that outlined the proposed additions to the workforce that would be required within Children’s Social Care service - this investment would help meet the requirements of the service both as a result of increased demand but also to support service development.

6.3 Members will be aware that when demand pressure occurs in year that needs to be met, the Council has always reported this as it occurs in its budget monitoring reports and then included the future years’ impact in its Medium-Term Financial Plan that in turn is reflected in the final budget report that is considered by full Council.

6.4 The £2m of staffing that is required to address the issues in Children’s Social Care will follow the same route as this resource is required to meet the increased demand in the service during this year. As a result, the Medium-Term Financial Plan approved by Council in 2021 and now updated includes the impact of this in future years together with further growth in respect of placements and packages, bringing the future year budget requirement to **£4.300m**. At this stage the Budget Plan doesn’t assume any further increase in the cost of the Service beyond 2022/23, indeed following the Spending Review there is no additional funding for this either. However, this service is under significant pressures and the Council will need to

closely monitor expenditure, assess risks and take mitigating actions to address any risk to the service. This would be reported through the normal processes.

Adult Social Care

- 6.5 The CSR announced that the National Living Wage will increase by 6.6% from April 2022. In addition, there will be the increases in National Insurance contributions to fund Health and Social Care, announced by the Government in September. It is expected that the announcements will create significant additional burdens on Adult Social Care Providers in 2022/23. It is therefore considered prudent to include an additional **£3.500m** in 2022/23 for the potential impact of increased fees from providers. As previously reported, there is no additional funding for either Adults or Children's Social care beyond 2022/23, with government providing only the ability for councils to raise Council Tax by 1% in each year to support Adult Social Care. As such within this Medium Term Financial Plan, it is currently assumed that the existing MTFP provision will be sufficient in 2023/24 and 2024/25 to support Adult Social Care providers, as this reflects in full the central government funding that is being made available plus an additional contribution from the Council, this providing for an affordability envelope of £2m in each year. This will need to be evaluated in light of future increases in the National Living Wage, and a strategy for potential increased costs may need to be considered. In the absence of further government funding is increases are beyond this £2.000m sum then corresponding savings will need to be made by the Council.

Adult Social Care Reform - Market Sustainability and Fair Cost of Care

- 6.6 As mentioned in paragraph 5.9, the Council is due to receive **£1.029m** in 2022/23 to fund the initial costs of the Adult Social Care Reform programme. In accordance with the guidance received from the Government, the funding will be used to conduct a cost of care exercise, engage with local providers to better understand reform on the local market and strengthen capacity for greater market oversight and improved market management as well as increasing fee rates according to local circumstances. Of this, £0.400m will be made available to fund the work required relating to the local market with the remainder allocated to support increasing fee rates according to local circumstances. It should be noted that this additional funding is currently being treated as one-off, although increased funding should be available in 2023/24 and 2024/25 when the Council meets the associated grant conditions.

Procurement Team

- 6.7 Procurement activity is a key element of securing quality, social value and value for money through the Council's activities, as well as supporting innovative, sustainable, efficient services achieving better outcomes for local people. Given the updated National Procurement Policy Statement and the scale and scope of work within the Council's Framework for Change there is a need to invest in and strengthen procurement resources to deliver approved activity. It is therefore proposed to restructure the Procurement Team to meet this need, at an additional cost of **£0.300m** from 2022/23.

Education Excellence Team

- 6.8 The Head of Education Excellence in conjunction with the Director of Children's Services and Education considered the working structure and reporting lines within the current Education Excellence area. This also considered how other areas within the Authority work on Education and Early Years related matters. All services apart

from SEND, which has already undertaken a review of provision, will be impacted by the creation and realignment of posts, creating a more efficient department to support and challenge schools and carry out its statutory functions.

- 6.9 A report outlining the changes was recently approved by the Cabinet Member for Education and the Cabinet Member for Regulatory, Compliance and Corporate Services. Whilst the overall structure was approved it was also agreed that only posts that could be funded from the 2021/22 budget would be appointed to. The appointment to the other posts within the structure would only be made if it was agreed as part of the 2022/23 budget. The costs of these posts total **£0.250m**.

ICT Contract Inflation

- 6.10 The cost of the Council's major ICT systems has increased significantly in recent years and cannot be contained within existing budgets. This unavoidable cost will increase the budget by **£0.180m** in 2022/23.

Replacement Play Equipment / Neighbourhood Officers / Ward Budgets.

- 6.11 The Council is committed to ensuring that Sefton remains an attractive place to live, work and visit. It will therefore invest **£0.200m** each year in replacing play equipment across the Borough, provide funding for two new Neighbourhood Officer posts, as well as allocating a total of **£0.300m** each year to individual wards for projects that will enhance the environment within those wards, including funding for an additional Neighbourhood Officer post to coordinate the projects.

Coastal Gateway Visitor Action Plan

- 6.12 Following the implementation of the Action Plan in 2020 and 2021, the Council will invest a further **£0.300m** in continuing with the activities within the plan in future years, as well as increasing staffing resources within the Green Sefton service to enhance the service provided along Sefton's coast.

Growth Funded from One-off New Homes Bonus

- 6.13 As mentioned in paragraph 5.16, the Council will receive additional New Homes Bonus in 2022/23 only. Due to the unexpected and one-off nature of this receipt, this will be reserved, with the use to be determined during the year. The approval of any use of this funding will be in accordance with the Council's Financial Procedure Rules.

Revenue One-off funding for 2022/23

- 6.14 As a result of the grant allocations from government being focussed on 2022/23, with no further grant being received in 2023/24 or 2024/25, a one-off revenue sum of **£2.229m** will be reserved in 2022/23, with its use to be determined due to the volatility that exists within both the Council's existing budget and any new or emerging pressures across a number of revenue and capital budgets. As part of this allocation, consideration will be given to the development and evaluation of a business case to determine if the Council has any existing properties that could be used to support homeless families. The approval of any use of this funding will be in accordance with Financial Procedure Rules.

7. Summary MTFP Position 2022/23 to 2024/25 including Growth

7.1 Based upon the potential budget options, additions and funding it is now estimated that the funding shortfall between 2022/23 and 2024/25 will be **£13.197m**, before any Council Tax decisions are made, and any further service delivery options are considered. A detailed analysis is shown below:

	2022/23	2023/24	2024/25
	£'m	£'m	£'m
Revised MTFP Funding Gap – excluding Council Tax	5.550	4.600	3.400
Local Government Finance Settlement	-14.522	3.779	1.000
Proposed Growth Items:			
- Children's Social Care	4.300	0.000	0.000
- Adult Social Care	3.500	0.000	0.000
- ASC Reform	1.029	-1.029	0.000
- Procurement Team	0.300	0.000	0.000
- Education Excellence Team	0.250	0.000	0.000
- ICT Contract Inflation	0.180	0.000	0.000
- Replacement Play Equipment	0.200	0.000	0.000
- Ward Budgets	0.300	0.000	0.000
- Neighbourhood Officers	0.060	0.000	0.000
- Coast Gateway Visitor Action Plan	0.300	0.000	0.000
- Growth Funded from One-Off New Homes Bonus	0.639	-0.639	0.000
- Revenue One-off funding for 2022/23	2.229	-2.229	0.000
	13.287	-3.897	0.000
Revised MTFP Funding Gap	4.315	4.482	4.400
Total MTFP Funding Gap			13.197

8. Ongoing Financial Impact of COVID-19

7.1 There are also other uncertainties around the impact of COVID-19 on the Council's financial position going forward:

Sales, Fees and Charges Income

7.2 There has been a significant impact on income from sales, fees and charges for a range of services during both 2020/21 and 2021/22. Whilst some income streams have recovered as restrictions have eased over time, others are expected to remain impacted whilst measures are still in place for social distancing, etc. It is currently forecast that this could result in a loss of income of between **£1.000m and £1.500m** during 2022/23, reducing further in the following years, before potentially returning to normal from 2025/26. This forecast will be reviewed as there is more experience of the impact on reopened facilities. It is assumed that as these losses are

considered temporary, they will be funded from one-off resources received for COVID related pressures.

Waste Disposal Costs

- 7.3 The costs incurred by the Merseyside Recycling and Waste Authority have increased in 2021/22 to reflect the increased cost of disposing of household waste due to the impact of people working, holidaying and shopping from home. These additional costs have been funded from one-off resources received for COVID related pressures. It is currently forecast that the ongoing impact of these behaviours could result in an additional cost of up to **£0.400m** during 2022/23, reducing in the following years, returning to normal from 2025/26. This forecast will be reviewed as there is more experience of the impact on costs. It is assumed that as these costs are considered temporary, they will also be funded from one-off resources received for COVID related pressures.

9. Additional Funding

Council Tax Increases

- 9.1 The Comprehensive Spending Review assumed a 2% Core Referendum Principle for illustrative purposes for all years of the CSR period. The Government, as part of the Local Government Finance Settlement, has confirmed the Council Tax Referendum Principle of 2% for 2022/23. A 1.99% increase for Sefton (to ensure the Council wouldn't breach the principle) would generate **£2.872m** in 2022/23.
- 9.2 As mentioned in paragraph 4.1, local authorities have been given the power to raise Council Tax by a further 1% on top of the core principle as an Adult Social Care Precept. This would generate an additional **£1.443m** in 2022/23. The Comprehensive Spending Review assumed that an Adult Social Care Precept of 1%, for illustrative purposes, would be allowed for the last two years of the CSR period.
- 9.3 Decisions on the Core Referendum Principle and the Adult Social Care Precept for 2023/24 and 2024/25 will be announced as part of the Local Government Finance Settlement in the December prior to the financial year.
- 9.4 A decision on the level of Council Tax is made by Budget Council each year. The 2021/22 Band C Council Tax is £1,524.02. 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.

10. Budget 2022/23 – Specific Issues

Charges Relating to External / Levying Bodies

- 10.1 The Council is required to pay charges relating to levies from external bodies. The expected payments for 2022/23 and their impact on Sefton's budget compared to 2021/22 is shown in the table below: -

<u>Levying Body</u>	<u>2021/22</u>	<u>2022/23</u>	<u>Change</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Liverpool City Region (LCR) Combined Authority - Transport Levy	18,828,000	TBC	TBC
Waste Disposal Authority	15,510,816	TBC	TBC
Environment Agency	159,789	TBC	TBC
Inshore Fisheries & Conservation Authority	69,418	TBC	TBC
Port Health Authority	94,500	TBC	TBC
	34,662,523	TBC	TBC

The approved 2022/23 figures will be reported at Budget Council.

Proposed Overall Council Tax increase

- 10.2 The proposed total increase in the Sefton Council Tax for 2022/23 will be reported to Budget Council following any recommendation from Cabinet.

Fees and Charges

- 10.3 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.

11. Dedicated Schools Grants (DSG) 2022/23

- 11.1 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).

- 11.2 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 2022/23 the funding includes £780m of growth funding specifically allocated to High Needs, leaving £1.6bn for mainstream schools. The new three-year Government Spending Review was announced in October 2021, and funding for Schools and High Needs over the next three-year period includes an extra £1.6bn in 2022/23; with further increases of £1.5bn in 2023/24 and £1.5bn in 2024/25. By 2024/25, the Government states that Schools and High Needs funding, will have risen by approximately £4.7bn overall over the three-year period. In addition, further Covid catch-up and Recovery Premium Grant has been promised over the next year, to

help schools provide extra support for pupils, as part of a recovery plan after Covid. These are separate funding streams and not part of the Schools Formula.

- 11.3 The Education and Skills Funding Agency (ESFA) announced in December 2021, that the extra £1.6bn for Schools and High Needs in 2022/23, would be given as a separate grant, until subsumed into the Schools and High Needs Formula from 2023/24.
- 11.4 The split of this extra grant was formally announced in December 2021, with Schools, nationally, set to receive an extra £1.275bn of the funding; and High Needs to receive the balance of £0.325bn. However, some of this additional funding to schools is being given to fund the additional costs that will be incurred through the planned rise in Employers National Insurance Contributions from April 2022, as part of measures to provide additional funding to Social Care and the NHS through the Health and Social Care Levy, estimated at £0.4bn of the funding. Schools will also be expected to absorb any pay awards agreed in the year, from their funding allocations, with no further funding being made available for these.
- 11.5 Locally, the additional funding will add a further £1.478m to Sefton's High Needs Block in 2022/23; and an indicative additional increase of about £5.489m to Sefton Schools. This latter amount is to be made available on an individual school basis only in the Spring 2022, by the ESFA.
- 11.6 Excluding the extra growth announced in the Spending Review above, the normal 2022/23 Dedicated Schools Grant settlement was announced on 16 December 2021. The 2022/23 National DSG allocation for Sefton of £244.870m is set out in the table below.

Notional DSG Allocations 2022/23	DSG Funding 2022/23 (£m)	Comments
Schools Block	£186.935m	NB Includes an allocation for Pupil Growth funding in 2022/23 of £1.289m and includes funding for Schools Business Rates of £1.253m, which from 2022/23, will not be paid to schools directly, but paid by the ESFA to local authorities on their behalf.
Early Years Block	£17.063m	NB: Allocation based on Jan 2021 headcount census numbers, which were lower than usual due to Covid. See paragraphs below.
High Needs Block	£39.459m	NB: This funding excludes any top slicing by the ESFA for funding towards Non-Maintained Special schools and Colleges of Further Education, which are paid directly by the ESFA (£0.738m)
Central Schools Services Block	£1.413m	
Total allocated DSG funding 2022/23	£244.870m	16 Dec 2021 – DfE Allocation Schedule

Schools Block

- 11.7 Sefton Schools Block will see a net increase in funding of £7.15m compared to 2021/22. This figure excludes the indicative additional funding to schools of £5.489m identified above and being given as a separate grant for 2022/23. It includes:
- Minimum headroom growth of +2.76% funding per pupil through the new Formula Funding (£4.899m).
 - Additional Net funding of (£2.149m) after taking account of changes in pupil numbers between October 2020 and October 2021 (i.e. a net increase +363.5 year on year).
 - Uplifted calculation of funding for pupil class size growth based on changes to actual pupil numbers year on year (£0.102m).
- 11.8 The above funding increases will ensure that the minimum funding levels per pupil in 2022/23 will increase to £4,265 per Primary pupil (£4,180 in 2021/22) and £5,525 per Secondary pupil (£5,415 in 2021/22).
- 11.9 The DfE are committed to implementing a National Schools Funding Formula model (NFF) but making it mandatory has now been delayed until at least 2024/25. Sefton have already adopted the National Funding Formula methodology from this year's budget setting process.
- 11.10 The Minimum Funding Guarantee (MFG) has been set at +2% in 2022/23 which means that every school will see a minimum 2% increase per pupil compared to 2021/22 per pupil values.

School Deficit Balances

- 11.11 Sefton maintained primary schools have a forecast overall surplus balance at the end of 2021/22 of £10.0m.
- 11.12 The six maintained secondary schools are forecast to have a combined 2021/22 deficit balance of £0.5m. Six schools and one Pupil Referral Unit are reporting deficit balances and are operating under a Licensed Deficit Budget in 2021/22, which is expected to continue into 2022/23. 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

- 11.13 Early Years funding was announced in December 2021 and will be £17.063m in 2022/23. However, this is expected to increase significantly during the Summer 2022, when the DfE adjust the Early Years funding to Local Authorities, based on any increase/decrease in the census headcount as at January 2022, compared against the much reduced numbers of children in attendance as at January 2021, due to the Covid pandemic.

11.14 As part of the Spending Review announced in October 2021, Early Years funding nationally, is to increase by £160m in 2022/23; £180m in 2023/24 and by a further £170m in 2024/25. As a result, in 2022/23, there is to be an increase to the National Hourly rates paid to Local Authorities of £0.21p per hour for Two-year-old provision and by £0.17p per hour for Three-Four-year-old entitlement. Sefton's funded hourly rate is to be increased to £4.61 per hour (£4.44 in 2021/22) for Three-Four-year-old Childcare; and for Two-year-old Childcare, an increase to £5.59 per hour (£5.38 in 2021/22). The base hourly rates payable to Sefton Providers will similarly be increased to £4.33p per hour (£4.16 per hour in 2021/22) for Three-Four-year-old entitlement and to £5.29 per hour (£5.08 per hour in 2021/22) for Two-year-old provision.

High Needs Block

11.15 Sefton's High Needs funding allocation for 2022/23 has increased by £3.495m (+9.92% increase) compared to 2021/22. In addition, a further £1.478m is being allocated out of the extra funding announced in the October Spending Review although some of this funding is earmarked for the Governments increases to National Insurance contributions from April 2022 and also changes to utility costs in 2022/23.

11.16 Sefton's High Needs budget is facing severe cost pressure and is currently forecast to overspend by £3m in 2021/22, which would take the deficit balance on High Needs to around £10m by the end of 2021/22. 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 three years are therefore playing "catch up" with the increased levels of expenditure. Significantly, local authorities were never funded sufficiently to meet their expanded duties towards 19-25-year olds.

11.17 Further budget pressures are expected over the next two years, as parts of the High Needs review, in respect of additional demand for SEND support, and the anticipated deficit against the High Needs Block is anticipated to rise to in excess of £13.8m by 31 March 2025. The significance of the growing deficit was reported to Cabinet in December 2021 and Council in January 2022 and the following table provides an overview of the financial position shared with Members.

	2017/18	2018/19	2019/20	2020/21	Aug	F'Cast	F'Cast	F'Cast
	£'000	£'000	£'000	£'000	2021/22	2022/23	2023/24	2024/25
					£'000	£'000	£'000	£'000
HN Expenditure								
<i>Increase in spend compared to previous year / forecast demand</i>	1,390	1,485	3,002	2,101	2,317	3,429	2,400	2,400
Total HN Expenditure	28,541	30,026	33,028	35,129	37,446	40,875	43,275	45,675
NET ESFA Funding - (9% uplift assumed from 2022/23)	26,062	26,448	27,278	31,290	34,577	37,857	41,264	44,978
Special/AP Teachers Pay & Pensions funding	0	0	0	0	649	649	649	649
Schools Block Funding Contribution	0	450	795	824	430	0	0	0
Early Years Block Contribution	0	200	200	200	0	0	0	0
Other grants e. 6th Form Grant (integrated with HN funding from 2020/21)	650	650	264	0	0	0	0	0
Total HN Funding Allocation	26,712	27,748	28,537	32,314	35,656	38,506	41,913	45,627
In-Year (Surplus) / Deficit	1,829	2,278	4,491	2,815	1,790	2,369	1,362	48
Transfer of Early Years Balances			-2,700					
Balance Bfwd from Previous Year	-464	1,365	3,643	5,434	8,249	10,039	12,408	13,770
Accumulative (Surplus) / Deficit	1,365	3,643	5,434	8,249	10,039	12,408	13,770	13,818

11.18 The current funding model within the Council used to support High Needs placements has not been reviewed and placement costs have not been uplifted since 2013/14. The financial forecasts for the five in-house Special Schools indicate that they will all face significant financial hardship over the next three years unless the existing funding values are increased. This would lead to Special Schools having to make significant financial savings in spending commitments reducing the number of places they could provide for children with SEND, which in turn would mean more reliance in expensive Out of Borough placements for children, increasing the cost pressures facing the High Needs Block further.

11.19 Through the current High Needs review, a key feature was to develop a new funding model for High Needs placements that was transparent, right-sized Special School budgets and provided stability for in-house placements. This new funding model has been produced that addresses the key actions required within the review however the cost of implementing the new funding model would increase the projected High Needs Block deficit by up to £2m per annum. Council approved the uplift in funding to Special Schools and other SEND Resource Bases in Sefton and noted the impact that this will have on the forecast deficit on the High Needs Block in the medium term.

11.20 Council was asked to approve the uplift to High Needs placement costs in the High Needs report provided to Council in January 2022 by the Director of Children's Social Care and Education. The report also recommended that Council agree that subsequent quarterly reports be provided to Cabinet and Council as required on the latest position with regards to the high needs budget and the development of further provision within the Borough and that work should commence on developing a

financial reserve to mitigate against the risk exposure currently faced and that this be agreed with the Council's External Auditor.

- 11.21 The Council have made representations to the DfE to be part of the Government's High Needs 'pressure valve' safety mechanism in 2022/23, whereby, over an agreed 3-5-year timescale, changes are put in place, to help balance the Council's High Needs services. These actions will then be measured and assessed on a regular basis and may be met with the release of additional funding, which may be used to offset the high level of accumulated deficit balances. Officers will be meeting with the DfE in the new year, as well as the Department for Levelling Up, Housing and Communities, to understand the strategic vision and the potential funding options for the deficit.

Central School Services Block

- 11.22 The Central School Services Block (CSSB) has funding of £1.413m in 2022/23 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.
- 11.23 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. An examination of these 'historic' costs is underway via a consultation with Schools over the ongoing support of the PDC and with the Council's Estates services with regards to the closed schools maintenance, in a bid to find some alternative funding mechanisms going forward, as this element of DSG funding gradually diminishes.

12. Other Government Grant Notifications and Other Funding 2022/23

- 12.1 The Government have announced grant notifications for 2022/23 in the areas identified below. In addition, the Council has received notification of additional funding for Children's Social Care. Should any further information be supplied on other grants, this will be included in a separate update to Cabinet / Council.

Independent Living Fund

- 12.2 The indicative allocation for the 2022/23 Independent Living Fund grant has yet to be announced. The 2021/22 allocation was £2.107m. It is proposed that the 2022/23 allocation will continue to be allocated to appropriate Adult Social Care budgets.

Homelessness Prevention Grant

- 12.3 The government announced a new grant to support homelessness in 2021/22, the Homelessness Prevention Grant. This combined two grants previously received, the Flexible Homelessness Support Grant and the Homelessness Prevention Grant. The allocation for 2021/22 was initially £0.536m, although an additional one-off top-up of £0.112m was provided later in the year to support local authorities to help vulnerable households with rent arrears to reduce the risk of them being evicted

and becoming homeless. The 2022/23 allocation has increased to £0.558m. The increase is to meet the new burdens following the expansion of priority need to those who are homeless as a result of domestic abuse, which came into force in July 2021 following the Domestic Abuse Act 2021. It is proposed that the 2022/23 allocation will continue to be allocated to appropriate Homelessness budgets.

Strengthening Families, Protecting Children Programme - Leeds Family Valued Model

- 12.4 Sefton have successfully had a bid confirmed by the DfE, to enter the DfE evaluated Strengthening Families, Protecting Children Programme for the implementation of the Leeds Family Valued Model, which is a strengthening families approach. This programme, which begins in the Spring 2022, lasts for two years and has funding attached. The DfE have confirmed that £2.900m has been approved initially with an additional allocation of £0.130m potentially being made available. The money is ringfenced to ensure development and embedding of this approach and is based upon invest to save activity. A Supplementary Estimate of up to £3.030m is therefore proposed across 2021/22 to 2023/24, fully funded from the allocation received.

13. Summary of Budget Proposals for 2022/23

- 13.1 As a result of the information contained within this report the bridging of the 2022/23 funding gap is shown as follows:

	2022/23
	£'m
Revised MTFP Funding Gap	5.550
Local Government Finance Settlement	-14.522
Potential Additions to the Budget	13.287
Revised MTFP Funding Gap – excluding Council Tax	4.315
Council Tax – Core increase (TBC%)	TBC
Adult Social Care Precept (TBC%)	TBC

A summary of the budget for 2022/23 is shown at Appendix B (note that for illustrative purposes this assumes a Council Tax increase of 2.99% in 2022/23).

14. Precepts

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

The Police and Crime Commissioner is due to set a budget / precept for 2022/23 on 22 February 2022. The Fire and Rescue Authority is due to set its budget / precept for 2022/23 on 24 February 2022.

	Precept			Band C		
	2021/22	2022/23	Change	2021/22	2022/23	Change
	£	£	£	£	£	%
Police	18,775,435	TBC	TBC	201.75	TBC	TBC
Fire	6,783,212	TBC	TBC	72.89	TBC	TBC

The approved 2022/23 figures will be reported at Budget Council.

b. LCR Mayoral Precept

To be able to deliver the Mayor's key priorities in 2022/23 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 21 January 2022.

	Precept			Band C		
	2021/22	2022/23	Change	2021/22	2022/23	Change
	£	£	£	£	£	%
Mayoral	1,571,720	TBC	TBC	16.89	16.89	0.00

The approved 2022/23 figures will be reported at Budget Council.

c. Parishes

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

	Precept			Band C		
	2021/22	2022/23	Change	2021/22	2022/23	Change
	£	£	£	£	£	%
Aintree Village	153,200	TBC	TBC	67.48	TBC	TBC
Formby	89,747	TBC	TBC	8.85	TBC	TBC
Hightown	18,000	TBC	TBC	18.71	TBC	TBC
Ince Blundell	2,400	TBC	TBC	12.85	TBC	TBC
Little Altcar	3,259	TBC	TBC	8.85	TBC	TBC
Lydiate	174,302	TBC	TBC	76.37	TBC	TBC
Maghull	714,243	TBC	TBC	94.79	TBC	TBC
Melling	36,050	TBC	TBC	31.13	TBC	TBC
Sefton	10,000	TBC	TBC	35.91	TBC	TBC
Thornton	7,000	TBC	TBC	8.10	TBC	TBC
	1,208,201	TBC				

The approved 2022/23 figures will be reported at Budget Council.

15. Recommended Council Tax for 2021/22

Council are recommended to approve the Budget for 2022/23, as set out in the main report.

The recommended overall Band C Council Tax to be raised for 2022/23 (excluding Parish Precepts) is as follows: -

	2021/22	2022/23	Increase
	£	£	%
Sefton	1,524.02	TBC	TBC
Police & Crime Commissioner	201.75	TBC	TBC
Fire & Rescue Authority	72.89	TBC	TBC
Mayoral Precept	16.89	TBC	TBC
	1,815.55	TBC	TBC

The recommended Council Tax for 2022/23 will be reported to Budget Council

16. Capital Programme 2022/23 to 2024/25

- 16.1 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.

Supplementary Capital Estimate 2021/22

- 16.2 Council is recommended to approve a supplementary capital estimate of £29,378 for 2021/22 funded from earmarked reserves, for the Burials and Cremations service to purchase an automatic coffin loader for Southport Crematorium. An automatic loader allows the loading of a coffin into the cremator in a safe and controlled manner, minimising the need for manual handling, and ensuring operator safety at all times. The loader will be provided by the Council's maintenance supplier of the cremators and all associated equipment for this process at Southport crematorium. The market is a niche market, therefore, for value for money and quality this route has been chosen for the purchase. By providing a better process of cremation will ensure the cremation service sustainability for the future.

17. Procurement of External Audit Services through the Public Sector Audit Appointments body

- 17.1 Since the abolition of the Audit Commission, Sefton has procured its external audit services by opting into the national arrangements undertaken by Public Sector Audit Appointments Ltd (PSAA). The most recent procurement awarded Sefton's contract for 2018/19 to 2022/23 to Ernst & Young LLP. It should be noted that the vast majority of local authorities procure external audit services through the PSAA.
- 17.2 The Local Government Association is encouraging all local authorities to use the national arrangements for the next five-year procurement that is due to start from 2023/24. They have circulated the following supporting information to local authorities to help inform their decision:

Information from the LGA for those charged with governance

The process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24, is now underway and shortly the council will need to decide whether to procure its own external auditor or opt into the national procurement framework.

Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The deadline for this decision is the 11th March 2022. If the council doesn't make such a decision, the legislation assumes that the council will procure its own external audit, with all the extra work and administration that comes with it.

The national framework remains the best option councils can choose. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

The way external audit has operated over the last couple of years has been extremely disappointing. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is also a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.

As the client in the contract, a council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially, councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.

Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this

could be done, but these initiatives are much more likely to be successful if a large number councils sign up to the national scheme.

It is therefore vital that councils coordinate their efforts to ensure that the client voice is heard loud and clear. The best way of doing this across the country is to sign up to the national arrangement.

To summarise, the same arguments apply as at the time of the last procurement:

- *A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract.*
- *The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden.*
- *Procuring through the appointing person (PSAA) makes it easier for councils to demonstrate independence of process.*
- *Procuring for yourself provides no obvious benefits:*
 - *The service being procured is defined by statute and by accounting and auditing codes*
 - *Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP).*
 - *Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.*
- *PSAA has now built up considerable expertise and has been working hard to address the issue that have arisen with the contracts over the last couple of years:*
 - *PSAA has the experience of the first national contract. The Government's selection of PSAA as the appointing person for a second cycle reflects MHCLG's confidence in them as an organisation.*
 - *PSAA has commissioned high quality research to understand the nature of the audit market.*
 - *It has worked very closely with MHCLG to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year.*

17.3 Officers have considered the views of the Local Government Association and agree that continuing with procuring external audit services through the national arrangements would be in the best interests of the Council. Audit and Governance Committee on 15 December 2021 considered the LGA advice and noted the intention to seek approval from Budget Council on 3 March 2022 to procure external audit services through the Public Sector Audit Appointments body, without further comment. Council is therefore asked to approve that the Council procure external audit services through the Public Sector Audit Appointments body for the period 2023/24 to 2027/28.

List of Appendices

- A Individual School Budgets 2022/23
- B Draft Council Budget Summary 2022/23
- C Capital Programme 2022/23 - 2024/25