

Report to:	Cabinet	Date of Meeting:	Thursday 28 July 2022
Subject:	Financial and Corporate Performance 2021/2022		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To inform Cabinet of the revenue and capital outturn position in relation to the 2021/22 financial year. In doing so the report will outline any key variations and where appropriate any impact on future years' financial performance. In addition, it provides details of the Council Corporate Performance for 2021/22.

Recommendation(s):

Cabinet is recommended to: -

Revenue Outturn

- Note the General Fund net surplus of £3.462m for 2021/22 that will increase the Council's General Balances by £1.962m more than was budgeted for.
- Note the increase in Schools' balances of £2.613m for 2021/22 and the net reduction of non-schools centrally retained DSG balances of £4.482m.
- Note the deficit on the High Needs Budget of £12.4m.
- Note the changes to Earmarked Reserves in 2021/22.
- Approve the addition to the Earmarked Reserve detailed in paragraph 6.4.(f).

Capital Outturn

- Note the total capital outturn of £30.531m for the financial year 2021/22.
- To note the successful delivery of a number of schemes as set out in section 12 that have supported the delivery of the Council's core purpose.

Corporate Performance

- Note the Council's Corporate Performance Report for 2021/22.

Reasons for the Recommendation(s):

The production of a revenue and capital outturn report is a key feature of effective financial management and will allow Members to make informed decisions that will support service delivery and medium-term financial sustainability.

This report should be read in conjunction with the Treasury Management Outturn report for 2021/22 also on this agenda and the High Needs Funding report also on this agenda.

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

N/A

What will it cost and how will it be financed?

(A) Revenue Costs

All financial implications are reflected within the report

(B) Capital Costs

All financial implications are reflected within the report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None	
Legal Implications: None	
Equality Implications: There are no equality implications.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N
The allocations of capital funding outlined in sections 8 to 12 may be spent on projects that will have a high climate change impact as they could relate to new build, rebuild, refurbishment, retrofit and demolition proposals. Environmental consideration will be	

taken into account when specific projects are designed and tendered – which will help to mitigate negative impacts.

Contribution to the Council’s Core Purpose:

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

Protect the most vulnerable:

See comment above.

Facilitate confident and resilient communities:

See comment above.

Commission, broker and provide core services:

See comment above.

Place – leadership and influencer:

See comment above.

Drivers of change and reform:

See comment above.

Facilitate sustainable economic prosperity:

See comment above.

Greater income for social investment:

See comment above.

Cleaner Greener:

See comment above.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of the report (FD 6878/22)

The Chief Legal and Democratic Officer has been consulted and any comments have been incorporated into the report (LD 5078/22).

(B) External Consultations

N/A

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Appendices:

The following appendix is attached to this report:

APPENDIX A – Corporate Performance Report 2021/22

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1 The report details the revenue outturn position for the financial year 2021/22 and provides details of the major variations within that position for the General Fund and Schools' Delegated Budgets including the High Needs Budget. The report also provides details of the Capital Outturn position for 2021/22.
- 1.2 In addition, the report includes the Council's Corporate Performance Report for 2021/22 (Appendix A).

Revenue Outturn 2021/22

2 Overall Position 2021/22

- 2.1 The Council has completed the closure of the Authority's Accounts for 2021/22. Due to the impact of the COVID-19 pandemic and issues with the external audit market, the Government worked with CIPFA, the LGA and external auditors to revise the regulations for publishing, auditing and approving the Statement of Accounts in 2020/21 and 2021/22. The new timeframe for the overall closure of accounts process is as follows:

- Draft Statement of Accounts issued – 31 July 2022
- External Audit Review – Completion November 2022
- Audit and Governance Committee receive Final Accounts – Late November 2022
- Final audited Statement of Accounts published – 30 November 2022

- 2.2 The outturn figures for 2021/22 are explained in more detail in section 3 but can be summarised as follows:

<u>Net Revenue Expenditure</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
<u>Services</u>			
Strategic Management	4.015	4.034	0.019
Adult Social Care	98.125	94.970	-3.155
Children's Social Care	47.754	52.641	4.887
Communities	17.274	15.139	-2.135
Corporate Resources	4.828	4.252	-0.576
Economic Growth & Housing	6.548	6.044	-0.504
Education Excellence	11.000	11.058	0.058
Health and Wellbeing	18.724	17.913	-0.811
Highways & Public Protection	11.231	10.781	-0.450
Locality Services	14.004	14.251	0.247
Other Services	2.923	2.817	-0.106
<u>Total Service Net Expenditure</u>	236.426	233.900	-2.526

Corporate Items	-18.871	-18.257	0.614
Levies	34.568	34.568	-
Parish Precepts	1.208	1.208	-
<u>Total Net Expenditure</u>	253.331	251.419	-1.912
Financed by:			
Council Tax Payers	-141.553	-141.553	-
Business Rates Top-Up	-21.315	-21.315	-
Retained Business Rates	-29.105	-29.105	-
General Government Grants	-62.858	-62.908	-0.050
<u>Total Financing</u>	-254.831	-254.881	-0.050
<u>Amount Added to General Balances</u>	-1.500	-3.462	-1.962

3 **General Fund Revenue Outturn 2021/22 – Variation Analysis**

3.1 As shown in section 2, the outturn for 2021/22 shows that there was a transfer to General Balances of £3.462m which was an underspend of £1.962m compared to the increase in General Balances of £1.500m that was budgeted for.

3.2 As would be expected, during the financial year, there has been a number of significant variations in individual services as the Council continued to respond to and be impacted by the global pandemic. The major variances are highlighted in the following paragraphs: -

3.2.1 **Adult Social Care** - Adult Social Care underspent in 2021/22 by £3.155m. Reports to Cabinet during the year highlighted that there were a number of significant assumptions and uncertainties relating to COVID-19 and other areas that would impact on the outturn position at the year-end. The Demand Management Programme continued throughout the year, and further savings were identified that had a significant part-year impact in 2021/22 which was a major factor in the service underspending. Monthly budget monitoring reports later in 2021/22 made reference to these issues and an underspend of £2.3mm was included in the forecast pending finalisation of the issues.

3.2.2 **Children's Social Care** - Children's Social Care overspent in 2021/22 by £4.887m. A significant overspend was forecast consistently through the year and relates to the overspends on accommodation and Agency workers. This budget is demand led, and as such, is particularly volatile, depending on the increasing numbers of children becoming looked after and where they are accommodated. The overspend increased towards the end of the year, which was as a result of some high-cost cases and highlights the pressures that the budget can experience, together with the higher than budgeted for costs of agency members of staff that are required as a result of increased demand and a lack of permanent staff who are available in the labour market.

3.2.3 **Communities** – The surplus of £2.135m primarily relates to reduced expenditure on sports facilities due to them being closed in line with COVID19 guidance and

reduced activity when they were allowed to open. There were other vacancy savings across the Council, as well as additional grant funding made available to offset existing costs in the year.

3.2.4 Corporate Resources – The surplus of £0.576m for Corporate Resources primarily relates to savings made against staffing budgets which is due to posts being held vacant in order to contribute to the overall budget pressures faced by the Council.

3.2.5 Economic Growth and Housing – The surplus of £0.504m includes the performance of Southport Market. The planned opening of the Market, initially scheduled for 1st April 2021, was delayed until mid-July 2021 in line with the planned lifting of government restrictions in social activity. Hospitality operations continued to be subject to significant levels of uncertainty during 2021/22 including the rise in coronavirus case numbers associated with the Omicron variant during the critical festive period.

3.2.6 The business case for Southport Market, as approved by Cabinet on 3rd September 2020, assumed that the net cost to the Council in the first year of operation would be £0.307m. The outturn position for 2021/22 was £0.296m and so the business plan target has been overachieved by £0.011m despite the challenges referenced above. As, the budget for Southport Market is £0.079m the net overspend against the budget was £0.217m which was offset by underspends across other areas of the service.

3.2.7 Health & Wellbeing – A net surplus of £0.811m was brought about primarily due to savings on contracts procured during the year, including on substance misuse and health prevention services.

3.2.8 Corporate Items: There are various corporate items that have had an impact on the Council's outturn position, with a net impact of £0.614m. The most significant are described below:

- The Budget Report outlined that the potential outturn deficit for the Strand Shopping Centre for 2021/22, as a consequence of the impacts of the COVID-19 pandemic, was expected to be in the region of £1.7m. The deficit for the year has now been finalised at £0.498m with the impact on the outturn position being an underspend of **£1.202m**. This is partly due to the length and impact of lockdowns not being as severe as anticipated and recovery of rent due being stronger than forecast.
- The 2021/2022 pay award was settled at a figure higher than the amount provided for in the 2021/22 Base Budget. This under provision was **£1.493m**.

3.3 As a result of the variations detailed within this report the overall Council-wide underspend recorded for the year of £1.962m represents the outcome of stringent financial management through the year as the Council continues to meet the financial pressure from demand led services, the extreme challenges of national government policy as well as the continuing impact of COVID19. The outturn position excludes the impact of COVID19 with additional expenditure and loss of income being met by utilising various additional funding sources provided by the Government. Details of the financial support made available to the Council to

support the response to the pandemic and how they will be utilised have been reported to Cabinet throughout the year. Most of these are specific grants to cover areas of expenditure and support as defined by central government. In addition, the Council has been in receipt of emergency funding over 2020/21 and 2021/22 totalling £23.668m. As at the end of 2021/22 there remains a residual balance of £8.6m available to the Council. £3.0m of this was reported in June to Cabinet as being required to support ongoing pressure in 2022/23 and that will leave £5.6m remaining to continue to support the Council as it continues to deal with the financial impact of the pandemic for example in lower income from business rates, council tax, leisure income and car park income. Based on the information available at this time, this funding will be fully utilised on these areas during the next two years, therefore wouldn't be available for use elsewhere. Should this position change this will be reported to Cabinet in the first instance.

- 3.4 As was detailed within the Budget report presented to Council in March 2022, in addition to the continued need to respond to the decade long austerity programme and the impact of COVID19, the Council continues to face unprecedented financial pressure particularly within Children's Social Care. This position is not unique to Sefton; however, the challenge is significant and will require very careful financial management throughout 2022/23 and beyond.
- 3.5 The Council acknowledged these risks in its budget report and significant additional resources were built into 2022/23 budget in recognition of these additional demands. A report to Cabinet in June, and Council in July, highlighted further significant pressure on Children's Social Care as well as on energy costs. A remedial action plan was approved to meet these costs in 2022/23.
- 3.6 In addition to the financial pressures being experienced by the Council, there is considerable uncertainty around the future funding of local government and the impact this will have on Sefton. As detailed in the budget report, the Government has committed to the biggest review of local government finance in a generation with a Fair Funding Review, funding for Adult Social Care Reform and the reform and full roll out of the business rates retention scheme. The Council continues to contribute to consultations and lobby on each of these areas, to help develop what is hoped will be a genuine long-term plan to deliver financial sustainability to local government in general, and Sefton in particular. However, due to the implications of responding to the COVID-19 pandemic and recent changes within the Government, the implementation of any changes may be delayed beyond 2023/24 bringing more uncertainty in the Council's funding position. During the summer of 2022 the Council will develop its Medium-Term Financial Plan for the period 2023/24 to 2024/25 (the last two years of the current Spending Review period) and this will reflect the known position.

4 Schools' Delegated Budgets Outturn 2021/22

- 4.1 The level of schools' balances as at the end of 2021/22 is £18.289m (£15.676m 2020/21). This overall sum consists of direct school balances of £17.961m (£15.194m 2020/21); Schools Supply Funding Pool surplus of £0.005m (£0.112m surplus in 2020/21) and the Schools Rates Pooled Account surplus of £0.323m (£0.370m 2020/21). The total balances represent 16.4% of schools' 2021/22 delegated budgets. Overall, schools' direct balances increased by £2.767m; The

Schools Supply Pool balances decreased by £0.107m and the Rates Pool Account reduced by £0.047m.

- 4.2 Analysis of the Schools Balances shows that 56 schools saw an increase in their balances totalling £3.755m; whilst 28 schools experienced a fall in balances of £0.988m giving a net increase in the year of £2.767m. Of the 28 schools with falling balances, there were 23 Primary schools and 1 Local Authority Maintained Secondary school with a fall in balances of £0.737m and £0.170m respectively. In addition, there were two Special/AP schools with reducing balances of £0.024m; and two Maintained Nursery Schools with reducing balances of £0.057m.
- 4.3 At the start of 2021/22, there were six schools in a deficit balance position, including two Maintained Primary Schools; three Maintained Secondary Schools; and one Pupil Referral Unit with net deficit balances of £0.098m; £1.397m and £0.073m respectively. These six schools were all operating under a licensed deficit in 2021/22.
- 4.4 By the end of 2021/22, based on the outturn position, seven Schools were in a deficit position, including three Maintained Primary schools; three Maintained Secondary Schools, and one Pupil Referral Unit with net deficit balances of £0.287m; £1.113m and £0.059m respectively.
- 4.5 In 2022/23, six schools have applied to the Executive Director of Corporate Resources and Customer Services, for permission to continue to operate under licenced deficit conditions, having submitted their plans to the Local Authority for reducing their spending to try and get back into balance, with other one Primary School (Holy Spirit) in a deficit position converting to an Academy, with effect from 1 April 2022. The small deficit against this school at the end of 2021/22 will need to be written off against contingency funding by the Authority in 2022/23.
- 4.6 In respect of the five Maintained Special Schools, their balances increased by a net £0.541m taking them to an overall surplus of £3.172m at the end of 2021/22 (£2.631m 2020/21); whilst the two PRUs saw a minimal increase in net balances of £0.001m in the year, taking them to a net surplus of £0.035m (£0.034m in 2020/21). However, one of the two PRUs is in a deficit position as indicated above (£0.059m)
- 4.7 High Needs budgets were overspent by £4.245m in 2021/22 (£2.8m in 2020/21). This has resulted in the overall High Needs Deficit now being £12.4m Cost pressures continued across High Needs provision with increasing demand for Special School places driven by growing numbers of children being assessed for an Education Health and Care Plan (EHCP). Numbers of places commissioned out of Borough, have continued to increase, due, in part, to a shortage of in-house places. Due to these two cost drivers which continue to impact the High Needs budget, the Council has sought to engage both the Department for Education and the Department for Levelling up, Housing and Communities to understand the strategic direction that this area of council business would take, what funding would be made available and how high needs deficits, which are major strategic risk to the financial sustainability of the Council, would be treated. In addition, the Council was keen to outline the steps it was taking with regard to the management of the service and the improvements it was making. During these discussions limited feedback was provided on these issues aside from two points, namely, that the Council appeared to be addressing the right issues in its improvement and development plan and that

any detail required on changes from central government would come through the green paper. As a result, the Council continued on its improvement plan to meet the issues detailed earlier in this paragraph.

- 4.8 One aspect of this is the investment in a new funding regime for the Maintained Special Schools; PRUs and Resourced Units, to help facilitate some in house growth in the number of special school places on offer.
- 4.9 During the year any changes planned to address the funding given to mainstream schools for local SEN support of children without/working towards an EHCP was put on hold during the year, pending the release of the Government's Green Paper consultation, as part of its SEND Review, (Right support; right place; right time) which came out in March 2022, and concludes in mid-July 2022. There are proposals within this paper, which suggest that a national banding structure may be put in place for SEND support to schools, along with a range of other proposals.
- 4.10 In the meantime, and throughout 2021/22, some schools have been setting up new 'nurture room' agreements for children with lower-level SEND, whereby High Needs funding is given to pay for a teacher/TA in support of operating specific teaching groups working with children at a lower cost than providing one to one support funding for each child. These nurture room agreements are set to grow over the next 12 months, and it is hoped that some cost efficiencies may come out of this change in approach, which is very much supported by Headteachers. Basic funding for SEN support has continued throughout 2021/22 by agreeing, without any fresh claims, ongoing support for children already receiving it, and by agreeing only new transitional cases for the key years of pupils moving schools in the year.
- 4.11 During the year, a review of the funding allocations for the Special Schools; PRUs and Resourced Units was carried out, with the emphasis on these schools being financially sustainable going forward and able to respond to a growth in in-house places as required. The new Special schools and PRUs funding regime has been applied from April 2022, when their budgets were right sized to match pupil numbers. The funding is now geared towards the costs of managing each school and the numbers of classes and ratios of teachers to pupils etc. It applies a part banded funding structure with lump sum payments. Similar methodology will be rolled out to the Resourced Units from September 2022.
- 4.12 In 2021/22, a sustainability plan has been drawn up by the SEND team to identify future areas of growth in EHCP numbers; and a number of initiatives have been started in 2022/23 to accommodate more pupils with SEND from September 2022, including new mobile teaching units at a couple of Special Schools and 56 extra places across the Special schools and Resourced Units.
- 4.13 The overspend on High Needs of £4.245m in 2021/22 was despite funding growth in the year of £3.3m and a contribution from Schools of £0.430m (£3.73m in total). This funding continues to be insufficient to meet the growing demands of High Needs within Sefton and there would appear to be no reduction or slowing down of demand for Places across the Borough. As stated, the High Needs deficit is now over £12m and urgent clarification continues to be sought from central government on how this ring-fenced budget should be treated by councils. It has been suggested that this ringfence that precludes councils from using general fund resources to fund it will cease from March 2023 and that councils will be expected

to evidence how any deficits will be met from that time. At this stage, there is no further information available from the respective government departments on which to base financial decisions or plans however it is clear that:-

- Central government is working towards removing the ring fence on these deficits and councils will need to fund them at some point and over an agreed period. If this is the case, this presents a major financial issue for the Council and provision will need to be made within the Medium-Term Financial Plan and future budgets for this.
- The Council will need to ensure that it moves to a balanced in year position on the High Needs budget as soon as possible so that this deficit does not increase year on year. Any further increases in this budget will potentially increase the funding requirement from elsewhere in the Council's budget that supports front line services and in doing so compromise the financial sustainability of the Council. Moving to a balanced in year position, and indeed one that underspends and can therefore reduce the annual deficit, is essential and will be worked towards with increased ambition and oversight and will be informed by the Delivering Better Value Programme.

Full detail on the progress on High Needs activity is included in a separate report on this agenda and the Council's Statement of Accounts will provide a note explaining this deficit position further.

4.14 Early Years provision overspent by £0.056m in 2021/22, following adjustments that were made to the original funding by the DfE after taking account of a much-reduced headcount between January 2020 and January 2021 due largely to the Covid pandemic. This led to a clawback of funding for the Spring Term 2021 of £0.353m (20/21 related) and for the subsequent Terms of 2021/22 of £1.177m (£1.530m in total). In addition, the DfE determined that funding for the Summer and Autumn Terms 2021 were to be funded individually on headcount data, to level off funding for the year and offer some stability. This meant that Sefton's usual, almost annual underspending due to fluctuations in numbers across the year, did not materialise. Spending from the Early Years centrally retained reserves, however, did continue as planned (£0.421m), leading to a net overspending of £0.477m in 2021/22.

4.15 Early Years centrally retained balances started the year with a surplus balance of £1.113m in 2021/22 and after the previous year of clawback and spending on planned initiatives during the year, ended the year at a surplus of £0.636m. There are ongoing plans to utilise some of these balances in 2022/23 to further support providers and to continue to offer specific Early Years training initiatives going forward. It is expected that Early Years funding will revert to normal levels from 2022/23, based on headcount numbers being back up to pre-covid pandemic levels in January 2022.

4.16 Central School Support services were underspent in 2021/22 by a Net £-0.240m. Notable variances included an overspending across the Historic Combined budget areas, in particular spending on Closed Schools estate Maintenance (+£0.065m); with other notable variances including an underspending against the EAL Ethnic Minority budgets (-£0.041m), which is managed by the Complementary Education Team; and the Pupil Growth funding (-£0.243m) due to policy changes in the application of the funding during the year to exclude support for 'popular' pupil

growth; and spending on LA statutory functions (£-0.052m) ; The Trade Union Facility Time / Public Duties support marginally overspent by £0.015m in the year, due to an added day facility time for the NEU as requested at Schools Forum in January 2021, and which was agreed without an increase to the per pupil rate for 2021/22 to be funded out of the from Central reserves, with a rate increase cutting-in from 2022/23.

4.17 It should be noted that the underspending against Pupil Growth in 2021/22 (£-0.243m) will be earmarked and recirculated through the 2023/24 schools' formula, which is the permitted use of such an underspend. The overall Central Schools DSG Reserve stands at £-0.761m as at 31 March 2022 (2020/21 £-0.521m).

4.18 The Council holds Centrally Retained DSG reserves, separate to its Maintained Schools' balances. These are in respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2021, was a deficit of £6.615m. During 2021/22, this deficit has grown considerably, mostly due to the significant overspending of High Needs. This has taken the reserves into a net deficit position of £11.097m (see below).

<u>Centrally Retained DSG Balances</u>	<u>1 April 2021</u> <u>£m</u>	<u>Net Movement 2021/22</u> <u>£m</u>	<u>31 March 2022</u> <u>£m</u>
Schools Block	-0.521	-0.240	-0.761
Early Years Block	-1.113	0.477	-0.636
High Needs Block	8.249	4.245	12.494
	6.615	4.482	11.097

5 Council Balances

5.1 The change in the level of Council and School Balances as at 31 March 2022 are set out in the tables below:

<u>Non-School General Fund Balances</u>	<u>£m</u>	<u>£m</u>
Actual Non-School General Fund Balances at 31 March 2021		-11.278
Less underspend in comparison to the 2021/22 Base Estimate:		
- Assumed Increase in Balances 2021/22	-1.500	
- Underspend in 2021/22	-1.962	
Actual Increase in Balances in 2021/22		-3.462
Actual Non-School General Fund Balances at 31 March 2022		-14.740

Schools' Balances	£m
Schools' balances as at 1 April 2021	-15.676
Underspend on Schools' Delegated Budgets	-2.613
Schools' balances at 31 March 2022	-18.289

6 **Earmarked Reserves**

- 6.1 Unlike General Fund balances, Earmarked Reserves are held for a specific purpose. These purposes may be determined by the Council to coincide with its policy objectives, dictated by statute (e.g., Schools Earmarked Reserves) or relate to revenue grants and contributions that haven't been fully applied by the end of the financial year.
- 6.2 Once approved, expenditure incurred in accordance with the reserve's purpose is funded by applying the reserve, without any need for further approval. If the reserve is no longer required for the originally intended purpose it is released back into the General Fund.
- 6.3 An analysis of the Council's Earmarked Reserves, and the movement during 2021/22 is shown in the table below:

Movements in 2020/21	<u>1 April</u> <u>2021</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2022</u> £000s
Environmental Warranty	-9,000	0	0	-9,000
Insurance Fund	-961	0	0	-961
Transforming Sefton	-3,502	-691	1,961	-2,232
Redundancy Reserve	-1,326	0	0	-1,326
Community Transition Fund	-481	0	95	-386
Contamination Clearance	-1,438	0	0	-1,438
Secondary School Deficit Reserve	-750	-250	0	-1,000
Business Rates S31 Grants Reserve	-38,784	-17,981	38,460	-18,305
Collection Fund Deficit Spreading Reserve	0	-6,137	0	-6,137
Revenue Grants and Contributions Unapplied	-47,704	-13,782	34,761	-26,725
Schools' Earmarked Reserves	6,615	-240	4,722	11,097
Other Earmarked Reserves	-11,317	-1,914	1,919	-11,312
	-108,648	-40,995	81,918	-67,725

6.4 The main changes in Earmarked Reserves are as follows:

- a) **Transforming Sefton** – £1.961m has been utilised to fund previously approved expenditure, primarily involving the Cost of Change budget relating to the Framework for Change programmes of 2017 and 2020.
- b) **Business Rates S31 Grants Reserve** – In response to COVID19, the Government introduced an expanded Business Rates retail relief scheme in 2020/21. This resulted in a significant deficit on the Collection Fund which was

recovered in 2021/22. However, the Council received S31 grants to offset the reliefs granted which were received in 2020/21. These were therefore reserved so they could be used to offset the deficit in 2021/22. Similarly further reliefs were announced for 2021/22 – again the associated S31 grants have been reserved to offset the deficit arising in 2022/23.

- c) **Collection Fund Deficit Spreading Reserve** – Due to COVID19, the income received from Business Rates and Council Tax was significantly reduced in 2020/2021. The Government amended regulations so that the deficits arising could be spread into future years. The creation of a reserve to offset these future deficits, primarily funded from COVID government grants, was approved by Budget Council in March 2021.
- d) **Revenue Grants and Contributions Unapplied** – There was a large increase during 2020/21 due to the receipt of various tranches of funding to support the Council's response to the COVID-19 pandemic. These include funding for Local Restrictions Support Grants, emergency funding and the Contain Outbreak Management Fund. These were reserved to fund costs and loss of income that was incurred in 2021/22 and future years.
- e) **Schools' Earmarked Reserves** – See Section 4 for an explanation of the movements in these reserves.
- f) **Other Earmarked Reserves** – The addition to a reserve not previously approved is proposed as detailed below:

Council Tax Court Costs (£0.224m) – The Council received a refund from the Ministry of Justice for court fees that were over-charged by £2.50 for every case listed for at Court. This equated to £0.224m, including interest. Given the difficulties in refunding these amounts to individual taxpayers (there are about 86,00 cases) it is proposed to add this amount to the Council's Exceptional Hardship Fund Reserve which would enable even more support to be provided to the most vulnerable Council Taxpayers. **Cabinet is asked to approve the addition of this refund (£0.224m) to the Exceptional Hardship Fund Reserve in 2021/22.**

7 Council Wholly Owned Companies

7.1 The Council has three wholly owned companies, namely, Sefton New Directions, Sandway Homes Limited and Sefton Hospitality Operations Limited. During the year Cabinet have received comprehensive Business Plan updates on each of these companies and outturn reports detailing progress against business plan both in terms of service delivery/meeting of objectives and financial performance will be presented to overview and scrutiny committee in early autumn. In terms of the key financial metrics for each company:-

Sandway Homes Limited

- It remains the forecast that the Council's dividend of £1.350m as previously reported to Cabinet and Budget Council will be delivered in 2024/25.
- It remains the forecast that the capital receipt in respect of the three sites in Phase 1 totalling £2.3m will also be received in 2024/25.

- The Council has agreed peak debt for the company of £8.3m. As at 31 March 2022 the company has drawn down £6.4m of this and at this stage does not expect this sum to increase.

It can therefore be seen that at the end of 2021/22 all financial assumptions in relation the company as previously reported to Cabinet remain on target and as agreed by members should there be any material variations these will be reported immediately.

Sefton Hospitality Operations Limited

- The latest Business Plan for the Company was presented to Cabinet on 3 February 2022.
- The report outlined that the Council's redevelopment of the Crosby Lakeside Adventure Centre has been delayed due to the previous contractor's delays and failures to satisfactorily progress the works. This has meant that the Company's activities were limited during 2021/22.
- The Full Business Case, approved by Cabinet in February 2021, approved a loan of £500,000 from the Council to cover working capital. This would be repaid to the Council as the first financial commitment for profits generated over the 10 years of the Full Business Case. At this stage it is not anticipated that this sum will be breached.
- The Full Business Case also outlined that a saving of nearly £0.250m would be achieved for the Council through the removal of the subsidy previously included in the budget. In addition, dividends would be due to the Council in later years as the Company becomes more profitable and the loan is repaid.

Sefton New Directions

- The latest Business Plan for the Company was presented to Cabinet on 23 June 2022.
- The current block contract for 2022/23 is £7.370m in total.
- The Company produces annual financial accounts which are subject to external audit (note that this is separate to the external audit of the Council's Statement of Accounts). The final accounts for 2021/22 are currently being prepared and are due to be finalised by the end of July 2022.
- The report to Cabinet in June 2022 explained that due to the required accounting treatment of the Company's membership in the Local Government Pension Scheme, the external auditors require the Company to make a significant contribution to reserves to cover any potential deficit in the Scheme. This has affected the reported financial performance of the Company. Officers at the Council have worked with the Company, their external auditors, and the Merseyside Pension Fund to mitigate the impact of this accounting treatment and therefore improve the reported financial performance of the Company.

8 Revenue Outturn 2021/22 - Conclusion

- 8.1 In March 2021, the Council set a one-year budget. Through the application of stringent financial management throughout the year, the Council continued to meet the financial pressure from demand led services and was still able to underspend by £1.962m. In addition, it was able to withstand the financial pressures that continued to arise from COVID19 by utilising the resources provided by the Government to support the Council's response.
- 8.2 Whilst the position reported is largely favourable, in addition to meeting the funding shortfall that has arisen primarily due to central Government's austerity programme, the Council is still facing significant financial pressure from some of its main demand led budgets, in particular Children's Social Care. The experience in Sefton is currently similar to many local authorities across the country and as a result will require careful financial management in the forthcoming year in order that these pressures are aligned with the delivery of the overall savings target that the Council has to meet. This approach and pressure were identified within the Budget report of March 2022 and significant additional resources were included in the budget for 2022/23. However, a report to Cabinet in June 2022 highlighted the significant budgetary pressures on Children's Social Care and energy costs in 2022/23. Cabinet approved a remedial action plan to offset these forecast costs in 2022/23.
- 8.3 The Council's accounts are scheduled to be completed by the end of July 2022. They will then be subject to review by the external auditor, Ernst & Young, and following final completion of the audit, the Accounts will be presented to the Audit & Governance Committee in November 2022 for consideration, together with the ISA 260 report that will reflect their findings and conclusions.

Capital Outturn 2021/22

9 Overall Position for 2020/21

- 9.1 The approved capital budget for 2021/22 was £41.638m against which capital expenditure of £30.531m has been incurred at the year end. This has resulted in a year end variance of £11.107m. Similarly to 2020/21, the delivery of the capital programme was significantly impacted by the pandemic with the ability to effectively plan works, procure and deliver them, substantially affected by national lockdowns and restrictions. Monthly updated performance information has been provided to Cabinet tracking progress. A service by service breakdown is shown in the following table:

Service Area	Budget 2021/22	Actual Expenditure 2021/22	Variance to Budget
	£m	£m	£m
Adult Social Care	4.133	3.932	-0.201
Children's Social Care	0.100	0.025	-0.075
Communities	1.170	1.150	-0.020
Corporate Resources	3.033	2.131	-0.902

Economic Growth & Housing	8.125	4.990	-3.135
Education Excellence	4.335	3.952	-0.384
Highways & Public Protection	13.157	7.400	-5.757
In House Operational Services	7.584	6.951	-0.633
Total Programme	41.638	30.531	-11.107

9.2 In addition to the core programme, capital expenditure totalling £2.005m was incurred by the Council. This included Schools Devolved Formula Capital which is provided directly to and managed by schools and capitalisation of Highways expenditure. Total capital expenditure in 2021/22, including this was £32.536m.

10 Programme Funding

10.1 The table below shows how the capital programme has been funded in 2021/22:

Source	£m
Grants	20.430
Prudential Borrowing	9.650
Contributions	1.156
Capital Receipts	1.089
Section 106	0.211
Total Programme Funding	32.536

11 Key Explanations of Full Year Outturn Variance 2021/22

11.1 Corporate Resources

11.1.1 Bootle & Southport Town Hall Retrofit (-£0.149m)

The project has run over the 2021/22 timeframe due to lead in times for material deliveries to site (mainly windows) as well as additional level of work on windows being identified upon closer inspection, all of which led to delayed installation on site and therefore delayed payment for the works due to changing completion timescales.

11.1.2 Green Homes Local Delivery Scheme (-£0.592m)

All works carried out required a retrofit assessment, EPCs pre and post works, and Trustmark lodgements (warranties and guarantees) which can take up to 6 weeks to be returned following the installation. The shortfall in spend was due to delays in the warranty and guarantee documents being returned and releasing payments to the contractor.

11.1.3 ICT Transformation (-£0.147m)

Due to the complexity of the existing estate and additional discovery work required there were some delays at the outset of the Cloud migration project, and these delays were impacted further by the fact a number of key staff were absent from work for some time due to Covid infection. These delays led to the project completion shifting from the end of March 2022 to end of June 2022. The project is on course to complete by the end of June 2022.

11.2 Economic Growth & Housing

11.2.1 Crosby Lakeside Development (-£1.545m)

The delay in spend to date has been from slippage in hospitality works due to construction lead-in times and a delay in tendering for bunk barn work.

11.2.2 Bootle Canal Side (-£0.240m)

A key element of the current phase of works was completed during the year but difficulty in obtaining quotes from contractors has delayed subsequent works. It is anticipated that all work on the Canal Side will be complete within the funding timescales.

11.2.3 Marine Lake Events Centre (-£0.705m)

Due to a delay in procuring some of the surveys and consultants the forecast amount was not spent. This had no overall impact on the programme or overall spend profile of project.

11.2.4 Brownfield Fund for Housing Development (-£0.538m)

Long lead in times for contractors to deliver diversion works for Sandway Homes has meant that some work was delayed until 2022/2023. Sandway will have incurred eligible expenditure by July 2022 which will mean the remaining balance due can be claimed.

11.3 Highways and Public Protection

11.3.1 A number of capital schemes originally programmed for delivery in 2021/22 were reprogrammed for delivery in 2022/23. This was a result of a number of factors including protracted scheme development to address issues raised during consultation processes prior to construction. Some schemes were also programmed to avoid disruption or clashes with other projects.

11.3.2 The key areas of reprogramming are as follows:

- Local Transport Block – An unspent balance of £0.991m will be carried forward due to delays to projects, owing to changes required following consultation, conflicting roadworks and to complete ongoing construction projects including land payments.

- Emergency Active Travel Fund – An unspent balance of £0.934m will be carried forward with the approval of the Combined Authority and DfT to undertake alternative proposals following lack of support for the initial scheme proposals.
- Highways Challenge Fund – An unspent balance of £0.419m will be carried forward to complete Scarisbrick Public Realm improvements which have been delayed due to extended lead in times for delivery of materials.
- Pipeline Development Fund – An unspent balance of £0.212m will be carried forward to complete ongoing Major Scheme Business Cases with the approval of the Combined Authority.
- Maintenance Block – An unspent balance of £0.943m will be carried forward to complete the 2021/22 programme of Carriageway Maintenance, Resurfacing, Urban Traffic Control Upgrades, Drainage, Street Lighting and Highway Structures.

11.4 Operational In-House Services

11.4.1 Flood and Coastal Erosion and Risk Management (-£0.253m)

There has been a delay in ecological mapping contract deliverables and delays from contractors supplying data which has meant that some payments will now be made into 2022/23

11.4.2 Vehicle Replacement Programme (-£0.297m)

Delivery of 12 tipper trucks scheduled March 2022 were slightly delayed and have now been received in early 2022/23.

12 Programme Delivery 2021/22

12.1 As would be expected with a capital programme of this size, the investment that has been incurred during the year has led to both the development and improvement of the council's infrastructure and supported the delivery of key outcomes as set out in the Framework for Change programme. The key areas of delivery are as follows:

12.2 Adult Social Care

12.2.1 Disabled Facilities Grants Core Programme (£1.341m)

During 2021/22 there were 163 adaptations certified as complete on behalf of clients including items such as stair lifts, vertical lifts, bathroom adaptations, extensions, and hoists. The number has increased when compared to last year due to the lessening impact of Covid on completing works.

12.2.2 Integrated Community Equipment (£0.504m)

Loan equipment has been purchased to issue to Sefton residents with medical needs or a disability to enable them to remain safe and independent in their own homes. The equipment provided includes walking aids, bathing aids, toileting aids

and patient handling equipment to enable carers to assist and care for residents in a safe manner. All equipment is issued on a loan basis and ownership is retained by the Equipment Service. When no longer needed by service users it is collected, decontaminated in accordance with strict infection control procedures and recycled for future issue to others.

12.2.3 Single to Double Handed Care Equipment (£0.240m)

The equipment purchased, predominantly for patient handling, is specifically designed to enable a reduction in the number of carers required to care for an individual. The service provides gantry hoists, specialist slings and a variety of patient handling pieces taking advantage of new product development and techniques, with the ultimate aim of reducing a care package for the individual whether that care be provided by family or formal carers. The benefits of the equipment provide a more dignified care process for the recipient. All equipment is issued on a loan basis and when no longer needed by the service user, collected and recycled for further use.

12.2.4 ICT Development and Transformation (£0.238m)

The Adult Social Care ICT systems continued to improve during the year and support the management of the service user journey, from early intervention through to long term service provision. Included in this is the way in which the Council pays its care providers against the service delivered.

12.2.5 Care Home Improvement Grants (£0.506m)

The Council has made grants available to care homes to make physical improvements to the care home environment and to implement technological solutions to improve the quality of life for service users. Grants were issued to 38 care homes during round one of the scheme and of these 29 homes have fully completed improvement work. Round two has commenced during 2021/22 and grants have been awarded to 29 care homes for further improvements. A further third round will launch in November 2022.

12.2.6 Community Equipment Stores (£0.398m)

Upgrades to the storage facilities continued during 2021/22 to allow the stores to operate with greater efficiency. New vehicles were also purchased as part of the ongoing programme of vehicle replacement.

12.3 Communities

12.3.1 Dunes Splashworld – Essential Repairs (£0.824m)

Work was undertaken during 2021/22 on remediating latent defects at Dunes Splashworld. The work involves stripping back and recoating the internal steel frame due to paintwork failures, along with Removal and replacement of the entire pool tiling system along with concrete repairs to the flume tower staircase and associated works to handrails and balustrades. The project is ongoing into 2022/23 and work on latent defects is due for completion in August 2022.

12.3.2 Litherland Sports Park – 3G Pitches (£0.244m)

Litherland Sports Park is an important part of the Council's playing pitch strategy and due to its high usage, required major investment during 2021/22. A scheme has now been completed to resurface and upgrade the pitch, as well as upgrade the existing lighting to LED.

12.4 Corporate Resources

12.4.1 Bootle & Southport Town Hall Retrofit (£1.069m)

Works were completed to improve the thermal efficiency of Bootle and Southport Town Halls through the replacement of the windows with new double glazing and replace/improve upon the loft insulation at both sites.

12.4.2 Green Homes Local Delivery Scheme (£0.351m)

28 properties received funded works that were eligible due to having a poor energy efficiency rating and a low household income. The funded works included external wall insulation, cavity wall insulation, loft insulation, under floor insulation, photovoltaic panels, double glazing, and upgrades to heating controls. The aim of the scheme was improve the energy efficiency rating from a D,E,F or G to a C or above. The works will help reduce household utility bills and also lower carbon emissions.

12.4.3 ICT Transformation (£0.489m)

The capital investment has allowed Sefton to move the majority of its ICT infrastructure to a cloud hosted platform, MS Azure. This replaces the legacy (end of life) infrastructure and is in line with Sefton's Digital Strategy, Cloud first approach. The move has also significantly improved the ICT resilience of our key applications with failover to a secondary data centre in place for those systems defined as critical to service delivery as well providing a more flexible and agile infrastructure that supports remote working, access to data and collaborative working through greater use of technology.

12.5 Economic Growth and Housing

12.5.1 Strategic Acquisitions – Bootle (£0.417m)

The assembly and acquisition of a key canal side site as part of first phase of Bootle town centre transformation has been completed including demolition and making good the site. This project is an integral element of town centre diversification and place making and a key element to enable the delivery of the wider strategy for repurposing and reimagining Bootle Strand Shopping Centre.

12.5.2 Cambridge Road Project (£0.741m)

The project is nearing completion and the building is now fully functional. The following key elements of the project were completed by March 2022:

- Refurbishment of all classrooms and other internal communal spaces (offices/hall/toilets)
- Purchase of all new furniture (tables/chairs/IT related furniture)
- Update of all mechanical and electrical services
- Renewal and upgrade of all IT including for all internal and external wi-fi to all areas of building
- Refurbishment of reception area
- Completion of community café
- Completion of external painting.

12.5.3 Crosby Lakeside Redevelopment (£1.247m)

The redevelopment project continued during 2021/22. Works delivered include the extension of the events space, mechanical and electrical work, internal remodelling of ground floor hospitality area, including back of house spaces, and remodelling of hotel rooms.

12.5.4 Southport Market Redevelopment (£0.787m)

Southport Market has undergone an extensive refurbishment and repurposing, the £1.4m scheme has been funded from Liverpool City Region Combined Authority and The Governments Town Deal Fund. The project has seen the market transformed from a failing mixed goods market into a food and drink venue with a flexible events space. There are 10 food vendors with a central bar while Blackhurst Butchers have been retained in a new purpose built unit.

12.5.5 Marine Lake Events Centre (£0.919m)

The work delivered in 2021/22 included finalising the scope of services for the design team and subsequent appointment of the lead architect and other key services related to civils and structural. These appointments allowed the project to complete the concept design and progress into RIBA Stage 2.

12.6 Education Excellence

12.6.1 Schools Programme (£3.020m)

The main programme delivery achievements were as follows:

- Birkdale Primary – Installation of a new automatic fire detection system
- Farnborough Road Juniors – Phase 1 of roof replacement scheme
- Forefield Infants School – Install new land drains on playing field
- Hudson Primary:
 - Phase 1 of roof replacement scheme
 - Carry out drainage improvement work to alleviate flooding in below ground service ducts
 - New boiler installed
- Jigsaw – Upgrade fire alarm system
- Lander Road Primary – Installation of a new automatic fire detection system
- Larkfield Primary – Phase 1 Toilet refurb complete
- Lydiate Primary:

- Phase 1 of a three-phase rewiring scheme complete
- Phase 1 of concrete repairs and re-pointing brickwork complete
- Re-surface school playground at rear of premises
- Drainage repairs
- Meols Cop High:
 - Phase 1 roof repairs complete
 - Relay defective footpaths around school
- Netherton Moss – Fire doors phase 1 complete
- Northway Primary:
 - Main entrance to school re-designed to improve safeguarding
 - Toilet refurbishment complete
- Norwood Primary – Installation of a new automatic fire detection system
- St John Crossens:
 - New accessible toilet and staff toilet provided
 - Re-pointing brickwork completed
- St Philip's CEP – Boiler and heating controls replacement complete
- Valewood Primary – Ceilings and lights replaced in two classrooms
- Woodlands Primary – Phase 2 of a two-phase rewiring scheme complete.

12.6.2 Special Educational Needs and Disabilities (SEND) (£0.930m)

The following has been accomplished in support of SEND provision:

- Bedford Primary – Internal alterations to SEND classrooms
- Daleacre Impact – Refurbish toilets and changing rooms
- Freshfield Primary – Outdoor play area for ASD class
- Hudson Primary – New ASD classroom and quiet room created
- Oakfield PRU – alterations and refurbishment of three classrooms
- Pinefield Complementary Education Centre – upgrade fire doors and alterations to classrooms and staffroom
- Thomas Gray Primary – Nurture base for ASD
- Waterloo Primary – extend and upgrade ASD classroom provision.

12.7 Highways and Public Protection

12.7.1 The projects delivered within 21/22 from the £7.400m spend included:

- LED Street Lighting Upgrade project:
 - 4,673 lanterns have been installed
 - 500 column and lantern replacements have been completed
 - 82 sign lighting units have been upgraded to LED units
 - 58 illuminated bollards have been replaced with non-illuminated bollards
- Completion of new cycle facilities linking Maghull and Kirkby, Great Georges Road in Waterloo and completion of the Southport East West links cycle routes.
- The resurfacing of Marine Drive between Hesketh Road and Marshside Road has been completed.
- Development work has been undertaken in support of Southport Town Fund and Major Business Cases
- Work on the Urban Traffic Control system upgrade has commenced

- Planned street lighting column replacement has been undertaken
- Carriageway improvements completed were:
 - 56,302m² of Carriageway Resurfacing
 - 65,494m² of Carriageway Treatment Surface Dressing
 - 31,386m² of Carriageway Treatment Micro Surfacing.

12.8 Operational In-House Services

12.8.1 Coastal Monitoring Programme (£0.756m)

The Coastal Monitoring Programme collects and analyses coastal process information across the North West coast of England, on behalf of the North West and North Wales Coastal group, to inform sustainable coastal management decisions and support the delivery of actions in the Shoreline Management Plan. The programme collects beach level and other topographic data, sea-bed bathymetry, aerial photography, defence inspections and tidal and current datasets.

12.8.2 Bootle Golf Driving Range Development (£0.389m)

The driving range development has included the construction of a new landscaped range with surrounding high fencing, a new teeing off building and associated equipment. There have been path improvements and additional landscaping improvements, which includes a swale as part of the site drainage system. The range was opened in February 2022 and has been well used by the golfers.

12.8.3 Crosby Marine Lake Improvements (£0.125m)

The lake improvements have focussed on bringing the lake pumping station back into full operation and upgrading the equipment to reduce failures that have plagued it in recent years. A telehandler was also purchased to improve the sand removal from the promenade and reduce the windblown sand getting into the lake.

12.8.4 Vehicle Replacement Programme (£5.247m)

The Council's Vehicle Replacement Programme continued in 2021/22 including the purchase of 26 new refuse collection vehicles, 12 vans and 2 trailer mounted pressure washers during the year

13 Capital Outturn 2021/22 - Conclusion

13.1 The capital programme continues to be a key element of the Councils' approach to meeting its core purpose. During the year expenditure has directly contributed to the delivery of key service priorities and services to residents and communities. The Executive Director Corporate Resources and Customer Services will continue to manage the financing of the capital programme to ensure that capital funding arrangements secure the maximum financial benefit to the Council in future years.

14 Corporate Performance 2021/22

14.1 The Council has recognised that in considering its financial performance it should also provide details at year end of performance across a range of its services in order that it can demonstrate how outcomes that will drive the delivery of the core purpose relate to the budget.

14.3 As a result, the Council's Corporate Performance Report for 2021/22 is attached as Appendix A and provides:-

- An introduction and contextual statement from the Cabinet Member for Regulatory, Compliance and Corporate Services, the Leader of the Council and the Chief Executive;
- A detailed narrative on how the delivery of each element of the Council's core purpose has progressed during the year; and,
- A comprehensive suite of performance measures for key Council activities for 2021/22 and how these compare to 2020/21.

14.4 It is acknowledged that when reporting various Council activities on a year-on-year basis that there will be a degree of subjectivity within some areas, that a lot of Council activity is driven via demand from residents and businesses for which it has no direct control and the external economic environment also impacts upon core activity. In addition, as would be expected, the impact of the COVID19 pandemic has had an impact on most, if not all, areas of the Council. That said, those areas that are reported provide a clear view of the range of Council activity that is undertaken in supporting residents, communities and business across the Borough and how they support the core purpose.

14.5 This report is the third Corporate Performance Report produced by the Council and will continue to be reported annually at year end.