

<b>Report to:</b>	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)	<b>Date of Meeting:</b>	10 January 2023
<b>Subject:</b>	Financial Management 2022/23 to 2024/25 and Framework for Change 2020 - Revenue and Capital Budget Update 2022/23 – January Update		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Leader of the Council		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

To inform **Overview and Scrutiny** of:

- 1 The current position relating to the 2022/23 revenue budget.
- 2 The current forecast on Council Tax and Business Rates collection for 2022/23.
- 3 The monitoring position of the Council's capital programme to the end of November 2023:
  - The forecast expenditure to year end.
  - Variations against the approved budgets and an explanation of those variations for consideration by Members.
  - Updates to spending profiles and proposed amendments to capital budgets necessary to ensure the efficient delivery of capital projects are also presented for approval.

### Recommendation(s):

**Overview and Scrutiny** is recommended to:

#### Revenue Budget

- 1) Note the current position relating to the 2022/23 revenue budget.
- 2) Note the actions being taken to offset the budget pressures being faced in 2022/23.
- 3) Note the financial risks associated with the delivery of the 2022/23 revenue budget and acknowledge that the forecast outturn position will continue to be reviewed, and remedial actions put in place, to ensure a balanced forecast

outturn position and financial sustainability can be achieved.

- 4) Note the current position relating to the High Needs budget and that officers are currently reviewing all options available to the Council to mitigate the additional pressure and to make the overall High Needs budget financially sustainable.

### **Capital Programme**

- 5) Note the spending profiles across financial years for the approved capital programme (paragraph 7.1).
- 6) Note the latest capital expenditure position as at 30 November 2022 of £22.639m (paragraph 7.16); the latest full year forecast is £47.141m (paragraph 7.17).
- 7) Note that capital resources will be managed by the Executive Director Corporate Resources and Customer Services to ensure the capital programme remains fully funded and that capital funding arrangements secure the maximum financial benefit to the Council (paragraphs 7.20-7.22).

### **Reasons for the Recommendation(s):**

To ensure Overview and Scrutiny are informed of the current position in relation to the 2022/23 revenue budget.

To provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

To keep members informed of the progress of the Capital Programme against the profiled budget for 2022/23 and agreed allocations for future years.

To progress any changes that are required in order to maintain a relevant and accurate budget profile necessary for effective monitoring of the Capital Programme.

To approve any updates to funding resources so that they can be applied to capital schemes in the delivery of the Council's overall capital strategy.

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

N/A

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

The report indicates that for 2022/23 an overspend position of £2.792m is currently forecast and that further mitigating actions will be required to ensure the Council returns to a balanced forecast outturn position-if these actions are not available within the approved budget, existing reserves and balances maybe used.

#### **(B) Capital Costs**

The Council's capital budget in 2022/23 is £47.089m. As at the end of November 2022 expenditure of £22.639m has been incurred and a full year outturn of £47.141m is currently forecast.

## Implications of the Proposals:

<p><b>Resource Implications (Financial, IT, Staffing and Assets):</b> Currently an overspend position of £2.792m is forecast for 2022/23. Therefore, further mitigating actions will be required to ensure the Council returns to a balanced forecast outturn position. However, it should be noted that significant pressure and risk remains, particularly relating to Children’s Social Care and energy costs. If these budgets experience further demand and inflationary pressure during the remainder of the year further corresponding savings or financial contributions will need to be identified and approved by members.</p>								
<p><b>Legal Implications:</b> None</p>								
<p><b>Equality Implications:</b> There are no equality implications.</p>								
<p><b>Climate Emergency Implications:</b></p> <p>The recommendations within this report will</p> <table border="1"><tr><td>Have a positive impact</td><td>N</td></tr><tr><td>Have a neutral impact</td><td>Y</td></tr><tr><td>Have a negative impact</td><td>N</td></tr><tr><td>The Author has undertaken the Climate Emergency training for report authors</td><td>N</td></tr></table> <p>The allocations of capital funding outlined in section 8 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.</p>	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
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							

## 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.

<p><b><u>Protect the most vulnerable:</u></b> See comment above</p>
<p><b><u>Facilitate confident and resilient communities:</u></b> See comment above</p>
<p><b><u>Commission, broker and provide core services:</u></b> See comment above</p>
<p><b><u>Place – leadership and influencer:</u></b> See comment above</p>

<b><u>Drivers of change and reform:</u></b> See comment above
<b><u>Facilitate sustainable economic prosperity:</u></b> See comment above
<b><u>Greater income for social investment:</u></b> See comment above
<b><u>Cleaner Greener:</u></b> See comment above

### **What consultations have taken place on the proposals and when?**

#### **(A) Internal Consultations**

The Executive Director of Corporate Resources & Customer Services is the author of the report (FD 7068/22)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 5268/22).

#### **(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 – Capital Programme 2022/23 to 2024/25

### **Background Papers:**

There are no background papers available for inspection.

## 1. **Introduction**

- 1.1 On 3 March 2022, Members approved the Budget for the financial year 2022/23. This budget was developed throughout the preceding nine months and took account of all known issues. Within that report, and as with previous years, the inherent financial risk within the budget, especially with respect to Children's Services, was identified. This was further reflected within the reserves' strategy for the Council.
- 1.2 A report to June's Cabinet and Council on 14 July, provided an update for Members of the financial position with the Council for events that had materialised since the budget was approved in March, including the increased cost of providing Children's Services and the increase in energy costs affecting the Council from global price increases. A remedial action plan was presented in the report and approved by Council.
- 1.3 The report to July's Cabinet outlined that those pressures continued across a number of service areas, that an overspend in the region of £2.2m was forecast. The report to September's Cabinet outlined that pressures had increased further, primarily as a result of the impact of the initial offer for the local government pay award and further pressure within Children's Social Care. A further remedial action plan was presented in the report and approved by Council. This took the total value of pressure that had been met in year to in excess of £20m.
- 1.4 This report includes the latest Council budget monitoring report as at November and thereby updates the revenue forecast outturn position for all services, including the pressures previously identified in the previous reports. It is this position that also informs next year's budget setting process in terms of financial issues that will continue into the next year and need to be addressed.
- 1.5 The report also outlines the current position regarding key income streams for the Authority, namely Council Tax and Business Rates. Variations against expected receipts in these two areas will also affect the Council's financial position in future years.
- 1.6 The capital section of the report informs Members of the latest estimate of capital expenditure for 2022/23 and forecast expenditure for 2023/24 and 2024/25. The capital budget to date is presented in paragraph 7.1. Paragraphs 7.16 to 7.19 review progress of the capital programme. Finally, paragraphs 7.20 to 7.22 confirm that there are adequate levels of resources available to finance the capital programme.

## 2. **Revenue Budget 2022/23 – Forecast Outturn Position as at the end of November 2022**

- 2.1 Members are provided with updates of the Council's forecast financial revenue position each month during the financial year from July.
- 2.2 The report to Cabinet in June 2022 highlighted the significant financial pressures being faced by the Council relating to Children's Social Care and energy costs that were unforeseen at the time of setting the budget. A remedial action plan was

approved to meet these estimated costs during 2022/23. These are included in the forecast outturn position below.

- 2.3 The report to Cabinet in July 2022 outlined that pressures had continued in several service areas and a net overspend of £2.197m was forecast. The report to September's Cabinet outlined that pressures had increased further, primarily as a result of the impact of the initial offer for the local government pay award and Children's Social Care. A forecast overspend of £7.743m was reported. A further remedial action plan was approved to meet these estimated costs during 2022/23. At this point the total value of these remedial plans is in excess of £20m for the year. However, it was acknowledged that pressures might increase further, particularly relating to assumptions around high-cost accommodation charges and the cost of agency staffing within Children's Social Care which required further financial modelling in order that a further accurate figure could be provided. It was also outlined that if these pressures materialised additional remedial actions would need to be implemented to ensure a balanced forecast outturn position, potentially including the adoption of financial principles used in previous years.
- 2.4 Since September's monitoring, there has been a worsening of the position relating to Adult Social Care and Children's Social Care but a reduction in forecast energy costs as well as savings across a number of other service areas. As at the end of November 2022, the forecast outturn shows a net overspend of **£2.792m**. As with all organisations at this time, the Council is operating in a very challenging financial environment. However, it is vital that the Council achieves a balanced forecast outturn position to ensure its financial sustainability. Proposed actions to meet this forecast overspend are outlined in paragraphs 2.8 to 2.11.
- 2.5 The table below highlights the variations across services that make up the £2.792m forecast overspend:

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Variance to October</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Services</b>				
Strategic Management	4.024	4.032	0.008	-0.001
Adult Social Care	102.090	103.490	1.400	0.000
Children's Social Care	52.069	69.046	16.977	0.970
Communities	17.591	16.625	-0.966	-0.178
Corporate Resources	5.559	4.965	-0.594	-0.099
Economic Growth & Housing	6.583	6.545	-0.038	0.018
Education Excellence	11.299	12.921	1.622	-0.008
Health & Wellbeing	19.349	18.615	-0.734	-0.012
Highways & Public Protection	11.214	10.815	-0.399	-0.063
Operational In-House Services	15.013	15.681	0.668	0.030
Energy Costs	0.000	2.100	2.100	0.000
Additional Pay Award Provision	0.000	4.100	4.100	0.000

<b>Total Service Net Expenditure</b>	<b>244.791</b>	<b>268.935</b>	<b>24.144</b>	<b>0.657</b>
Council Wide Budgets	0.076	-1.076	-1.152	-0.362
Levies	35.222	35.222	0.000	0.000
General Government Grants	(72.356)	(72.356)	0.000	0.000
Remedial Action Plan - June	0.000	-12.500	-12.500	0.000
Remedial Action Plan – September	0.000	-7.700	-7.700	0.000
<b>Total Net Expenditure</b>	<b>207.733</b>	<b>210.525</b>		
<b><u>Forecast Year-End Deficit</u></b>			<b><u>2.792</u></b>	<b><u>0.295</u></b>

2.6 The key areas relating to the outturn position are as follows:

- **Adult Social Care** – Previous forecasts have assumed that the Adult Social Care budget will break-even during 2022/23. However, it was reported in December that there are some significant financial pressures arising due to increases in numbers of clients in nursing and residential as well as overspends in Supported Living and Day Care. Additional pressures including agency and consultancy costs are also being seen. It is currently forecast that there will be a net overspend of £1.400m. Further work is being undertaken to refine the forecasts, including around client numbers and associated income levels, as well as the achievement of savings from the Demand Management programme.
- **Children’s Social Care** – The current forecast for the service shows a potential overspend of £16.977m, an increase in the figure reported to Cabinet in December of £0.970m.

This increase since last month has been driven by the following:-

1. £0.600m increase in Independent Residential Placements – this is as a result of new placements, changes of provider and increased costs of existing accommodation placements.
2. £0.236m increase in secure accommodation in relation to three children; and,
3. £0.100m increase in Special Guardianship Order allowances following a review of payments made to date and the production of a revised forecast for the remainder of the year.

Overall, the overspend is made up of the following key areas:-

- Due to a significant number of vacancies within the service, especially with regard to Social Workers, the expenditure on agency staff has been £6.2m over the staffing budget. Within this £3.5m relates to managed teams.
- At the start of the financial year as inflation took hold in the UK, unbudgeted for inflation on accommodation costs has resulted in an overspend of £1.2m; and,
- Since the July report a number of additional complex and high-cost placements have had to be entered into which have led to an overspend on

this budget of £7.5m. Since the budget was set in March there has been an increase in Independent Residential Placements from 69 to 78. In addition, there are now more cases requiring high-cost accommodation and support than previously, and the costs of these have also risen significantly. Some new cases are now initially costing substantial amounts per week.

Members will be familiar from previous reports that the service are working through options to address each of these issues. The introduction of the social worker academy with an annual cohort of 30 staff and the proposal to bring to the Council 25 international social workers will reduce the reliance on expensive agency workers and proposals around supporting children and development of in-house accommodation will support future budget planning and control in respect of accommodation costs.

- **Education Excellence** – The current forecast shows a potential net overspend of £1.622m, with an overspend of £1.769m relating to Home to School Transport forecast. There has been an increase in the number of children being transported, especially relating to out of borough placements. In addition, there has been an increase in the cost of providing the transport, particularly from September.
- **Operational In-House Services** The current forecast shows a potential overspend of £0.668m. This relates to a number of areas across the Service, including forecast shortfalls in income on Burials and Cremations, Catering, Green Sefton activities (mainly golf courses) and vehicle maintenance.
- **Energy Costs** – As reported in June, the global increase in energy prices is having a significant impact on the Council's energy and fuel costs. As reported last month, the Council has received updated information from the Council's framework providers on the fees being paid, as well as the potential benefit from the energy price cap for organisations. It is estimated that the net impact will be £2.100m. This will continue to be closely monitored as more information becomes available, including impact of the energy price cap. It should be noted that energy is a national issue affecting all local authorities. However, the Government have advised that no additional funding will be made available for local government, despite representations made both nationally and locally.
- **Additional Pay Award Provision** – The approved Base Budget included a provision for the 202/23 pay award of 3%. This was line with most other local authorities who had budgeted for between 2.5% and 3% (and when the Spending Review 2021 was published, the Office for Budget Responsibility was forecasting inflation to be 4% in 2022). On 1 November 2022, trade unions accepted the offer from the National Employers for local government services body of a fixed increase of £1,925 (plus an additional day's annual leave from April 2023). For Sefton, this equates to an increase in the pay bill of about 6.5% or an additional £4.100m above the amount included in the 2022/23 budget. As previously mentioned for energy costs, this is a national issue for local government however Government have made it clear that no additional funding will be made available.

From the above it can be seen that additional pressures of about £24.1m are being experienced and this mainly reflects the pressure in Children's Social Care and that

experienced from energy costs and the additional pay award. Although many of the causes of pressures on children services are being seen nationally, there are many which are Sefton specific e.g., increases in numbers of Looked After Children and increases in accommodation and agency costs), however the energy and pay award pressures of £6.2m are impacting on all local authorities. These costs were not reflected in the funding provided as part of the Local Government Finance Settlement for 2022/2023 and the Government has made it clear that no additional funding will be made available, meaning the Council needs to make remedial plans to meet these pressures.

It can be seen from the Cabinet reports presented each month that the forecast overspend position on Children's Social Care has increased each month. The information provided in this report is based on the latest information provided by the service, however in light of the month on month increase this year there is a significant risk that this position will worsen further in the remaining four months of the year. Work has been done within the service to ensure that the decision-making controls are robust and effective to support financial control around agency expenditure and accommodation costs and it is essential that these are maintained and continually reviewed due to the unprecedented position that the service and the council is in. Work is being undertaken by the service to determine if further financial pressure is anticipated and this will be reflected in the next monitoring exercise that takes place.

### **Proposed Remedial Actions**

- 2.7 As reported in the last three months, given there is still a forecast deficit it is proposed to undertake a number of remedial actions, including the adoption of financial principles used in previous years, to enable a balanced forecast outturn position to ensure its financial sustainability. The proposed / implemented actions are:

#### Recruitment Freeze

- 2.8 The Council has introduced a recruitment freeze until the end of the financial year. This will apply to all services across the Council with the exception of Adult Social Care, Children's Social Care, Cleansing, Early Help and Special Educational Needs and Disability. Savings from non-recruitment of current vacant posts are now built into the forecast outturn position. Savings from the non-recruitment to posts as they become vacant across the remainder of the year will be built into future forecasts.

#### No Further Overspend in any Service

- 2.9 All services must manage their budgets to ensure that their forecast outturn position does not worsen from that currently reported.

#### No Further Growth Items or Additionality

- 2.10 All services to pause any requests for growth or additionality, even if it could be funded from current forecast underspends or further underspends compared to the current forecast position. This will ensure that any further underspends can be used to contribute to mitigating the Council's overall financial position. This doesn't apply to expenditure that can be fully met from external funding received by the Council.

### Non-Essential Expenditure

- 2.11 A full review is currently being undertaken of all budgets across the Council to identify any areas of non-essential spend that could be stopped. This includes reviewing progress on spending in all areas to identify options for where additional expenditure commitments could be paused. This will identify further underspends that can be used to contribute to mitigating the Council's overall financial position. These options / areas of non-essential expenditure identified to date include:
- Health and Wellbeing – the forecast underspend currently reported excludes potential underspends on various contracts agreed for the year. These will be evaluated to assess the potential in-year savings, but it is anticipated this could be in the region of £0.750m.
  - Agile / Hybrid Working – the Council set aside resources to fund changes to office accommodation for the move towards Agile / Hybrid working. As the works are nearly complete it is anticipated that some of these resources can be credited back to the revenue budget – current estimate is that £0.300m can be released.
  - New Burdens funding – the Council has received new burdens funding relating to activity it has been asked to undertake on the Government's behalf. Whilst some has been required to fund additional costs incurred, some is effectively to fund activity undertaken by existing staff. Therefore, £0.100m is available to offset the existing forecast outturn position.
  - Energy Reductions – given the additional pressures relating to energy costs the Council is reviewing various measures to reduce its energy consumption.

### Summary 2022/23

- 2.12 After the implementation of the previously agreed remedial actions, an overspend of **£2.792m** is currently forecast. The proposed actions in paragraphs 2.8 to 2.11 will be fully evaluated and their financial impact will be reported to Cabinet in January – at this stage it is anticipated that the actions proposed will meet a proportion of the current forecast overspend, with a balance estimated at up to £1.6m remaining to be funded. However, this represents the current position that has been forecast to the year end- in the event that further pressure is experienced, particularly in respect of Children's Social Care, further remedial action or off-setting measures will be required. As a result of using the options previously approved in June and September, there is no flexibility left for the use of general balances in year- as a result this and any further pressure, will need to be met from within the existing Council budget and delivery monitored carefully and reported to Cabinet.
- 2.13 Should there still be a residual overspend at year end, this will need to be funded by reserves or general balances and as part of the budget process for 2023/24 the Council will need increase these back to the previous level taking into account the risks faced by the Council and the assessment of their adequacy as described in the S151 Officer's Robustness report. As stated, further work will be carried out on the remedial plan and a detailed position will be reported in the next cycle.

## **3. Medium Term Financial Planning**

- 3.1 The report to Cabinet in June / Council in July highlighted that the pressures in Children's Social Care, as well as increased Energy costs, would have a significant ongoing impact on the Council's budget in 2023/24 and 2024/25. Whilst some of this pressure was considered to be temporary, much would be permanent.
- 3.2 The report also highlighted that there would be additional pressures from 2023/24 as a result of potential increases in the National Living Wage and the impact that this would have on both the Council pay structure as well as external providers, particularly in Adult Social Care. In addition, the current high levels of inflation would lead to significant pressure on many areas of the Council.
- 3.3 The ongoing impact of the current 2022/2023 pay award offer will now also need to be met in 2023/24 given it has been funded from one-off resources in 2022/23. In addition, the Council will need to assess the ongoing impact of the additional pressures reported this month in Children's Social Care as well as other service areas.
- 3.4 Based on all of these issues, the Council's Medium-Term Financial Plan (MTFP) has been refined and updated with the potential scale of the funding gap, in the absence of any further central government funding for this year being clear based on the information in this report. As a result, based on this update, budget proposals will need to be developed for implementation from April 2023 (pending further Central Government advice on future funding levels) in order that the Council maintains financial sustainability. This will not be easy with extremely tight financial constraints being in existence and demand for Council services increasing continually (and councils being asked to carry out more functions); however, it is essential that this planning commences from this point. The annual comprehensive Medium-Term Financial Plan update was presented to Cabinet and Council in November 2022.

#### **4. Council Tax Income – Update**

- 4.1 Council Tax income is shared between the billing authority (Sefton Council) and the three major precepting authorities (the Fire and Rescue Authority, the Police and Crime Commissioner and the Combined Authority – Mayoral Precept) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £150.008m for 2022/23 (including Parish Precepts), which represents 84% of the net Council Tax income of £178.590m.
- 4.2 The forecast outturn for the Council at the end of November 2022 is a surplus of -£2.438m. This variation is primarily due to: -
  - The surplus on the fund at the end of 2021/22 being higher than estimated (-£0.517m).
  - Gross Council Tax Charges in 2022/23 being higher than estimated (-£0.362m).
  - Exemptions and Discounts (including a forecasting adjustment) being lower than estimated (-£1.559m).

- 4.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2022/23 but will be carried forward to be recovered in future years.
- 4.4 A forecast surplus of £2.022m was declared on the 15 January 2022 of which Sefton's share is £1.699m (84.1%). This is the amount that will be recovered from the Collection Fund in 2022/23. Any additional surplus or deficit will be distributed in 2023/24 and future years.

## 5. **Business Rates Income – Update**

- 5.1 Since 1 April 2017, Business Rates income has been shared between the Council (99%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £56.664m for 2022/23, which represents 99% of the net Business Rates income of £57.236m. Business Rates income has historically been very volatile making it difficult to forecast accurately.
- 5.2 The forecast outturn for the Council at the end of November 2022 is a surplus of - £4.999m on Business Rates income. This is due to:
- The deficit on the fund at the end of 2022/23 being lower than estimated (-£0.091m).
  - Increase in the gross charge on rateable properties (-£0.520m).
  - A number of reliefs announced for 2022/23 were assumed in the NNDR1 return with the loss of income as a result of these reliefs covered by Section 31 grant payments. It is now forecast that the value of these reliefs will be less than anticipated (-£5.290m).
  - Adjustments to the Appeals Provision relating to prior years (+£0.902m)
- 5.3 When taking into account the lower Section 31 grants due on the additional reliefs, a net surplus of £0.615m is forecast.
- 5.4 Due to Collection Fund regulations, a Business Rates deficit will not be transferred to the General Fund in 2022/23 but will be carried forward to be recovered in future years.
- 5.5 A forecast deficit of £18.702m was declared in January 2022. Sefton's share of this is £18.515m. This is the amount that will be distributed from the Collection Fund in 2022/23. Any additional surplus or deficit will be distributed in 2023/24 and future years.

## 6. **High Needs Budget**

- 6.1 A report was presented to Cabinet in July with regard to the High Needs budget and the changes that are proposed, details of sufficiency planning, the Council's engagement on the Delivering Better Value Programme and the current high needs deficit and the risk around future central government decision making in respect of this deficit.

- 6.2 In light of these factors, the SEND green paper, the commencement of the Delivering Better Value Programme and the potential changes to accounting treatment of these high needs deficits that exist in a substantial number of councils in England, it was proposed that a monthly financial forecast be presented to Cabinet each month that reflects financial performance against budget and remedial planning - this would be considered alongside the wider quarterly performance report that will be presented to Cabinet and Council.
- 6.3 The High Needs Quarterly Update report presented to Cabinet in July outlined that the overspend on the High Needs budget in 2021/2022 was £4.2m resulting in an accumulated deficit of £12.5m at the end of 2021/22. The report also highlighted that a deficit for 2022/23 was forecast to be between £2.3m - £4.0m.
- 6.4 Given continued increases in the number of children requesting Education Health and Care Plans (EHCP's) and SEND placements in November 2022, the current forecast overspend will be at least £5.1m, despite the creation of additional in-house places at Sefton schools from September. Between April and September, there was an increase of 52 children placed at Sefton specialist schools / SEND resource units, 172 additional EHCPs (total now 2,437 with 150 in progress) and a further 18 out of borough placements and this figure continues to increase.
- 6.5 The position could be exacerbated further due to the additional cost pressures from the approved pay awards for 2022/23 which are significantly higher than used for the new SEND Funding Model. Initial calculations show that the new pay awards have added at least an additional £0.900m cost pressure across specialist SEND placements and although no additional funding has been allocated to schools in the 2022/23 funding formula to reflect this increase it is something that has been raised by schools and will be discussed with Members as part of the next High Needs monitoring report in February 2023.
- 6.6 The approved NJC pay awards for 2022/23 will also add an additional cost pressure on non-specialist 1:1 provision in all primary and secondary schools in Sefton. Any additional pay uplift costs should be met from the High Needs budget as schools are only required to make a fixed contribution per qualifying pupil. However, currently no increases in High Needs funding allocations have been provided to schools and the higher costs are currently increasing day to day cost pressures to school budgets.
- 6.7 The accumulative deficit position on the High Needs budget is estimated to be of £17.6m based on the current SEND numbers but these continue to increase.
- 6.8 In light of the current position officers are reviewing all options available to the Council to mitigate this additional pressure during the current year and to reduce the impact on the High Needs deficit. This will include accelerating the proposals reported to members in the July Cabinet paper and determining new proposals to improve sufficiency. In addition, discussions as part of the Council's participation in the Delivering Better Value Programme will be assessed as to their impact on the forecast deficit position. An update will be provided to Cabinet as a separate report in February 2023.
- 6.9 In August the Council responded to central government's call for evidence on how High Needs deficits should be considered going forward, especially in respect of

the potential for the ringfence of this deficit to the Dedicated Schools Grant (DSG) to come to an end from April 2023. The Government has now announced that the statutory override will continue for another three years to March 2026.

## 7. Capital Programme 2022/23 – 2024/25

### Capital Budget

7.1 The Capital Budget and profile of expenditure for the three years 2022/23 to 2024/25 is as follows:

<b>2022/23</b>	<b>£47.089m</b>
<b>2023/24</b>	<b>£51.241m</b>
<b>2024/25</b>	<b>£45.190m</b>

7.2 The updates listed below have been made to the Capital Programme budget since the previous budget reported to Cabinet in December:

- **Adult Social Care:**

- Short Term Assessment Unit - £0.860m has been phased to 2023/24 to allow for the completion of the final design and specification of the scheme. The final costs, land sale and development agreement are expected to be agreed by March 2023 and it is anticipated that work will start on site in Quarter 1 of next financial year.
- New Directions Programme Development - £0.184m has been phased to 2023/24 due to the time needed to complete a full tender package for the project.

- **Corporate Resources:**

- £0.339m and £0.694 has been added to the programme for the Brownfield Land Fund for sites at Bootle High School, Netherton and Bentham's Way, Southport following approval by Cabinet in December. The projects are fully funded by external grant from the Liverpool City Region Combined Authority.
- £0.565m has been phased to 2023/24 for the Essential Maintenance Programme. Re-profiling has been primarily due to delays in issuing the tender package for Cambridge Arcade / Southport Town Hall. Although the scheme is at an advanced design stage, consultation with leaseholders and other interested parties has taken longer than expected.

- **Education Excellence –**

- Melling Primary New Pupil Places - £0.140m has been added to the budget funded by Section 106 contributions following approval by Cabinet in December.
- Cabinet Member for Education has, under delegated authority, approved the following amounts funded from the High Needs Provision Capital Allocation grant for 2022/23:

School	Project	Estimated Budget Requirement £
Formby High	Conversion and extension of caretaker's house for special needs provision	210,000
Crosby High School	Additional mobile classroom	10,770
Rowan Park	Additional mobile classroom on Rowan High site	20,754
Newfield (St Teresa's)	Conversion of existing primary school to special school site for KS1 and 2 provision	500,000
Marshside Primary	Alterations to IT classroom to convert to ASD classroom	25,000
Pinefield	Relocation of Complementary Education. from Pinefield to Litherland Moss site - internal alterations to building	500,000
Freshfield Primary	Extension to expand SEND provision and create additional class	331,903
Rowan Park	Two classroom extension to replace mobile classroom	521,000
The Grange Primary	One classroom extension to create additional class	45,687
Redgate Primary	Convert former music service classrooms to resourced base classroom provision	312,000
Rowan Park	New access door and corridor	40,000
Crosby High	New footpath to access mobile class	12,500

- **Economic Growth and Housing:**

- Enterprise Arcade – £0.473m reprofiled to 2023/24. Stage 3 design work has taken longer than anticipated to complete and is awaiting input from the proposed operator. This means that the project timescales have slipped and rather than commence works early 2023 with completion in September, this has been pushed back to commencement spring 2023 with completion by the end of the financial year 2023/24.
- Transformations de Southport – £0.153m reprofiled to 2022/23 and £0.500m reprofiled to 2024/25. Following further consultation, the main works programme will now take place in Autumn 2023 to minimise the impact/disruption during the summer tourism season.

- **Highways and Public Protection:**

- Crosby Coastal Park - £0.400m has been phased to 2023/24 as the start of construction has been delayed by planning issues.
- Active Travel Routes - £0.378m has been phased to 2023/24 due to delays at the tender stage of the project.
- A59 Kenyons Lane - £0.589m has been phased to 2023/24 due to delays in confirming contributions from the Active Travel Fund and Key Route Network which has led to delays in the design and development of the overall scope of the project, which will now not commence on site until next financial year

- **Communities** – the following budgets (funded by prudential borrowing) have been added to the programme following approval by Council in November:

- Bootle Leisure Centre – Lift Replacement £0.38m
- Bootle Leisure Centre Roof – Replacement £0.209m

- Netherton Activity Centre – New Fencing £0.103m.
- **Operational In-House Services:**
  - £0.063m has been added to the programme, approved under delegated authority, for Rainbow Park improvement works funded by Section 106 contributions.
  - £0.067m has been added to the programme for the Parks Levelling Up Fund, approved under delegated authority and funded by external grant from DLUHC.
  - £1.666m for the Vehicle Replacement Programme has been phased to 2023/24 due to delayed orders this year due to the need to maximise routes to ensure procurement matches service requirements.

### **Additional Capital Funding for Schools to Improve Energy Efficiency**

- 7.3 The government has made available to eligible schools and sixth-form colleges in England an allocation from an additional £447 million in capital funding in 2022-23 for capital improvements to buildings and facilities, prioritising works to improve energy efficiency. This is part of an additional £500 million in capital funding for schools and further education institutions.
- 7.4 The additional funding is a school level allocation issued under similar terms to the Devolved Formula Capital Grant for 2022/23. Schools can therefore decide how best to invest the capital funding on energy efficiency measures.
- 7.5 Cabinet has been requested to approve a supplementary capital estimate of £779,362 for Sefton’s maintained schools for inclusion in the capital programme fully funded by external grant.

### **Ainsdale Coastal Gateway**

- 7.6 The Sefton Coast Plan recognises the need to create high quality visitor infrastructure at a number of access points, known as coastal gateways, along Sefton’s Coast. The purpose is to drive growth within the visitor economy to the benefit of local businesses, provide a high-quality visitor experience at these access points, and reduce visitor pressure on areas of high conservation value and on local residents. Ainsdale-on-Sea has been recognised as one of these coastal gateways.
- 7.7 The area is formally protected as internationally important dune habitat and supporting many rare and important species of flora and fauna. It is designated as an SSSI, SAC, SPA, Ramsar site and Local Nature Reserve. The area includes natural sand dune, a “good” bathing water quality beach, and is one of the key bases for Green Sefton. It also contains a number of buildings that are owned by Sefton, including Toad Hall, and the former Sands public house.
- 7.8 Consultation relating to this project has taken place as part of the Southport Town Deal bid (Summer 2020). As a response to theme three: Stronger Economy, the investment in Ainsdale-on-Sea Visitor Hub featured as the third most popular option. It was suggested that Ainsdale-on-Sea is in need of investment.

- 7.9 A number of operational changes to the way visitors were welcomed to the coast were introduced in the summers of 2020 and 2021. These included the increasing of staffing, including into the evening when the car park was then closed, the engagement of volunteers as ‘ambassadors’, the introduction of free bin bags, and the introduction of skips/ euro bins. The existing toilets were closed during the Covid pandemic, with temporary portaloos provided during this period. Basic improvements to the toilets were carried out while they were closed, and they were reopened for the summer of 2022.
- 7.10 A further consultation exercise completed in the summer of 2021, built on the comments received from the Town Deal consultation, the operational changes that have taken place over the last two years, and the developments planned for the area. These helped inform proposals for a number of longer-term development projects. These include:
- External artwork on Toad Hall (now completed).
  - Toilet and wash facility improvements, including introducing a Changing Places toilet unit.
  - A new seasonal pop-up food and drink facility off beach, in the picnic area.
  - Improved off-beach car parking, with pedestrian and cycle access improvements, and EV charging points.
  - A suite of other infrastructure improvements, such as fencing to guide visitors appropriately, new signage and picnic area improvements.
- 7.11 The improved off-beach car parking facility will generate new income to Green Sefton that would cover all operational and revenue costs for the project. Mitigations measures will be expected by Natural England as part of their consent for such works to go ahead.
- 7.12 A project budget of £0.352m was previously approved by Council in January 2021 funded by Prudential Borrowing. Approval has been sought for a further supplementary capital estimate of £0.540m to implement the improvements outlined above funded by £0.490m of Capital Receipts and £0.050m from Changing places grant for the changing places toilet unit. Contributions to the scheme will also be made as part of the Council’s approved Highways Capital Programme.

### **Sustainable Warmth Programme**

- 7.13 Cabinet in November was requested to approve a supplementary capital estimate funded by external grant, to continue the Sustainable Warmth Funding work (in line with the recommendations set out in the report to Council “Sustainable Warmth Funding 2022-2023” in January 2022), pending formal confirmation of the award and receipt of the Grant Funding Agreement (GFA) from the Combined Authority.
- 7.14 Following receipt of the GFA, and confirmation of final grant allocations on the previous delivery scheme (LAD2), an update to sustainable warmth capital budgets is now required to include in the capital programme the full allocation of grant that has been secured from the Combined Authority.
- 7.15 Cabinet has been requested requested to approve a supplementary capital estimate of £860,597 for the Sustainable Warmth Programme.

### **Budget Monitoring Position to November 2022**

7.16 The current position of expenditure against the budget profile to the end of November 2022 is shown in the table below. It should be noted that budgets are profiled dependent upon the timing of when works are to be carried out and the anticipated spend over the financial year. The budget to date in the table below reflects the profiles of each individual scheme.

<b>Service Area</b>	<b>Budget to Nov-22</b>	<b>Actual Expenditure to Nov-22</b>	<b>Variance to Nov-22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adult Social Care</b>	2.363	2.242	-0.121
<b>Children's Social Care</b>	0.155	0.166	0.011
<b>Communities</b>	0.586	0.640	0.054
<b>Corporate Resources</b>	3.996	4.088	0.092
<b>Economic Growth &amp; Housing</b>	5.873	5.471	-0.401
<b>Education Excellence</b>	2.473	2.604	0.130
<b>Highways &amp; Public Protection</b>	6.727	6.608	-0.119
<b>Operational In-House Services</b>	0.902	0.820	-0.082
<b>Total Programme</b>	<b>23.075</b>	<b>22.639</b>	<b>-0.436</b>

### **Capital Programme Forecast Outturn 2022/23**

7.17 The current forecast of expenditure against the budget profile to the end of 2022/23 and the profile of budgets for future years is shown in the table below:

<b>Service Area</b>	<b>Full Year Budget 2022/23</b>	<b>Forecast Out-turn</b>	<b>Variance to Budget</b>	<b>Full Year Budget 2023/24</b>	<b>Full Year Budget 2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adult Social Care</b>	4.898	4.893	-0.005	4.101	1.610
<b>Children's Social Care</b>	0.450	0.430	-0.020	0.100	-
<b>Communities</b>	1.442	1.449	0.006	0.232	-
<b>Corporate Resources</b>	6.580	6.683	0.103	1.548	-
<b>Economic Growth &amp; Housing</b>	10.431	10.586	0.156	22.284	38.585
<b>Education Excellence</b>	4.206	4.015	-0.191	11.861	0.007
<b>Highways &amp; Public Protection</b>	16.989	16.992	0.003	6.241	3.663
<b>Operational In-House Services</b>	2.094	2.094	-	4.874	1.326
<b>Total Programme</b>	<b>47.089</b>	<b>47.141</b>	<b>0.052</b>	<b>51.241</b>	<b>45.190</b>

A full list of the capital programme by capital scheme is at **appendix A**.

7.18 The current 2022/23 budgeted spend is £47.089m with a budgeted spend to November of £23.075m. The full year budget includes exceptional items such as £5.439m for Green Homes and Sustainable Warmth schemes, £9.472m for Growth and Strategic Investment projects, previously approved amounts for essential

repairs and maintenance (£1.164m) and a significant scheme to upgrade to LED Street Lighting (£3.887m).

7.19 The current year end forecast is based on information provided by project managers that the above projects will be fully delivered in 2022/23. In a typical year however, the capital programme spends in the region of £25m. Given this typical annual level of spend it is likely that further reprofiling of spend into 2023/24 will occur as the year progresses. It is proposed that a fundamental review of all projects in year expenditure be carried out at three quarter review.

### **Programme Funding**

7.20 The table below shows how the capital programme will be funding in 2022/23:

<b>Source</b>	<b>£m</b>
Grants	36.780
Prudential Borrowing	5.912
Capital Receipts	1.735
Contributions (incl. Section 106)	2.662
<b>Total Programme Funding</b>	<b>47.089</b>

7.21 The programme is reviewed on an ongoing basis to confirm the capital resources required to finance capital expenditure are in place, the future years programme is fully funded, and the level of prudential borrowing remains affordable.

7.22 The Executive Director Corporate Resources and Customer Services will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the Council.

## APPENDIX A – Capital Programme 2022/22 to 2024/25

Capital Project	Budget		
	2022/23 £	2023/24 £	2024/25 £
<b>Adult Social Care</b>			
Digitising Social Care	50,000	405,000	-
Core DFG Programme	2,000,000	-	-
Occupational Therapy Support for DFGs	603,774	-	-
ICT Development & Transformation	535,705	392,851	-
Care Home Improvements	437,559	550,000	-
Changing Places	92,507	-	-
Retail Model within Health and Wellbeing Hubs	-	450,000	-
Extra Care Housing	-	750,000	750,000
Short Term Assessment Unit	-	860,000	860,000
New Directions Programme	10,962	379,038	-
Technology Enabled Care	270,806	163,750	-
Sefton Carers Centre	30,000	-	-
Community Equipment Provision	300,000	-	-
Double to Single Handed Care Equipment	150,000	-	-
Community Equipment Stores	250,000	100,000	-
Programme Support	166,625	50,000	-
<b>Children's Social Care</b>			
Support for Fostering Placements	100,000	100,000	-
Community Equipment – Children's	250,000	-	-
Springbrook Refurbishment	100,000	-	-
<b>Communities</b>			
Dunes Splashworld – Essential Repairs	546,226	43,781	-
Dunes Splashworld – Health and Safety Works	270,000	-	-
Bootle Leisure Centre – Lift Replacement	38,000	-	-
Bootle Leisure Centre – Roof Replacement	209,000	-	-
Netherton Activity Centre – New Fencing	103,000	-	-
Libraries - Centres of Excellence	90,000	188,019	-
Section 106 Funded Projects	185,990	-	-
<b>Corporate Resources</b>			
Council Wide Essential Maintenance	485,838	1,547,897	-
STCC Essential Maintenance	54,650	-	-
Victoria Baths Essential Works	76,960	-	-
Bootle & Southport Town Hall Retrofit Energy Saving	29,950	-	-
Green Homes Grant Sustainable Warmth Schemes	5,438,882	-	-
ICT Transformation	493,281	-	-
<b>Economic Growth &amp; Housing</b>			
Strategic Acquisitions - Bootle	17,620	-	-
Cambridge Road Centre Development	53,930	-	-
Crosby Lakeside Development	1,715,913	-	-
Town Centre Commission Bootle Canal Side	240,263	-	-
Bootle Canal Side Business Plan	556,862		

	2022/23 £	2023/24 £	2024/25 £
Southport Market Redevelopment	47,335	-	-
Strategic Acquisitions - Ainsdale	90,600	836,423	-
Marine Lake Events Centre	6,369,392	13,268,773	37,948,199
Enterprise Arcade	187,500	1,245,000	61,500
Transformations De Southport	153,000	1,847,000	500,000
Strand Business Plan	40,000	375,000	75,000
Strand Repurposing Project	-	680,000	-
Housing Investment	33,960	-	-
Brownfield Fund for Housing Development	537,790	1,032,281	-
Social Housing Allocations Scheme	65,000	-	-
Southport Pier	321,822	3,000,000	-
<b>Education Excellence</b>			
Schools Programme	3,364,286	9,122,577	7,055
Planned Maintenance	429,902	50,000	-
Special Educational Needs & Disabilities	411,607	2,688,090	-
<b>Highways and Public Protection</b>			
Accessibility	989,402	-	-
Healthy Lifestyles	790,000	-	-
Road Safety	120,000	-	-
A565 Route Management Strategy	1,571,027	778,014	-
A59 Route Management Strategy	250,000	589,000	-
Strategic Planning	1,510,634	-	-
Traffic Management & Parking	55,000	-	-
Highway Maintenance	5,600,454	-	-
Bridges & Structures	517,921	-	-
Drainage	337,340	-	-
Street Lighting Maintenance	327,400	-	-
LED Street Lighting Upgrade	3,886,920	3,605,580	3,662,630
Urban Traffic Control	902,830	-	-
Transport Growth Schemes	-	1,268,620	-
Completing Schemes / Retentions	130,000	-	-
<b>Operational In-House Services</b>			
Burials & Cremation Service – Vehicles & Equipment	47,713	-	-
Coastal Erosion and Flood Risk Management	908,473	2,252,701	1,306,000
Parks Schemes	223,149	110,919	-
Tree Planting Programme	134,505	19,769	19,769
Golf Driving Range Developments	9,988	280,280	-
Ainsdale Coastal Gateway	27,712	300,000	-
Crosby Marine Lake Improvements – Phase 1	30,339	-	-
Green Sefton – Plant & Machinery	-	131,152	-
Vehicle Replacement Programme	366,835	1,779,494	-
Wheeled Bins	345,000	-	-
<b>TOTAL PROGRAMME</b>	<b>47,089,139</b>	<b>51,241,009</b>	<b>45,190,153</b>